

*PROTECTION*

*IN*

*THE UNITED STATES*

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*SUMMER*

















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LECTURES  
ON THE  
HISTORY OF PROTECTION  
IN THE UNITED STATES

DELIVERED BEFORE THE INTERNATIONAL FREE-TRADE ALLIANCE

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NEW YORK  
PUBLISHED FOR THE  
NEW YORK FREE TRADE CLUB  
By G. P. PUTNAM'S SONS  
27 & 29 WEST 23D STREET  
1888



1126  
8/4/1890  
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## PREFACE.

The following lectures were delivered by me before the International Free Trade Alliance, in New York, in the spring of 1876. They are here republished exactly as delivered, although there are certain points which I should like to elaborate, if the opportunity were offered. I have endeavored here to combine two things: 1st, the history of our own tariff legislation, showing its weakness, ignorance, confusion, and oscillation; and, 2d, a discussion of the arguments for and against free trade, as they have presented themselves in the industrial and legislative history of the country. I have summed up in the last lecture the convictions to which such a study of the subject must lead. Suffice it here to say, that when one clears one's head of all the sophistries and special pleas by which protection is usually defended, and looks at the matter as a simple matter of common sense, one must be convinced that an industrious people on a fertile soil, so abundant in extent that population is inadequate to the highest organization of labor, must enjoy advancing wealth and prosperity. They will owe this to a diligent use of their natural advantages. They will reach the maximum of production when they produce and exchange most freely. Certainly no application of taxation can possibly increase their production; that is their national wealth. Every tax or other interference with the freedom of production or exchange produces restraint, confusion, delay, change, risk and vexation, and these, as every one knows, cause loss of time, labor, and capital, that is, diminish the product which may be obtained from a given amount of labor. The amount of this loss can never be measured in figures, because we can never get statistics of "what might have been;" but when it is shown here that the legislation of the United States has been constantly vacillating, not only in its policy, but also in the degree to which its policy has been pursued; that it has laid burdens on production and exchange in a clumsy, brutal, and ignorant disregard of possible effects on the delicate network of modern industry; that it has had in view, from point to point, only a single interest, and has had no national stand-point or conception of the public interest (much as it boasts to the contrary); then, I think, any one must see that such legislation has lamed the national productive power, wasted the natural advantages which the nation enjoys, diminished its wealth, and contracted the general status of comfort for the whole people.

Adam Smith laid down four rules by which all taxes ought to be tested. Experience has ratified them so thoroughly that they are no longer questioned by anybody. They ought to be known by everybody.

1. Taxes should be, as far as practicable, equal.
2. They should be definite in amount (not uncertain or variable).
3. They should be collected, so far as possible, at the time most convenient to the payer, so as not to cripple the process of production.
4. They should be so arranged as to give the maximum revenue to the government at the minimum cost to the people, *i. e.*, they should cost as little as possible to collect; and they should keep capital out of the hands of the people as short time as possible.

Protective taxes are hostile to revenue, because the purpose of a protective tax is to prevent importations. The moment, however, that a tax begins to have this effect it prevents revenue. Hence, *where protection begins, there revenue ends.*

There is no conceivable ground of right by which the legislature may decide what things ought to be produced, and in what measure, and then use its taxing power to carry out its notions. Every tax is an evil, and it is on the defensive. Its need must be shown, and *no tax can be defended which is laid for anything but revenue to defray the legitimate and necessary cost of public peace, order, and security.*

For taxes laid to this end, some further rules can now be laid down as established by long experience.

1. No such taxes should be allowed to act protectively to any degree. They should be offset by excise taxes of equivalent amount.
2. They should be laid on as few articles as possible, and in the simplest way possible (to avoid expense in collection).
3. The legislator should try to find the maximum revenue point on each article (*i. e.*, If there were no tax there would be no revenue. If there were a prohibitory tax there would be no revenue. There is a point between, at which the highest revenue can be obtained with the least cost and the least fraud).
4. Raw materials should not be taxed. (It is not easy to define "raw materials," but the rule has value as a practical rule. Taxes on raw materials strangle industry at its birth.)

These rules are only practical rules, derived from experience. There are no scientific laws of taxation, because there are no natural laws of taxation. Nature has not provided for taxation, as she has for production, exchange, distribution, and consumption. Taxation is part of the co-operation of society for its own defense against the evil and destructive forces within itself. Any state which lays protective taxes misuses the means of defense to increase the evils.

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## LECTURE I.

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### THE NATIONAL IDEA AND THE AMERICAN SYSTEM.

It is a sign of a dogma in dissolution to change its form and to yield points of detail, while striving to guard its vested interests and traditional advantages. Just now the dogma of protection is striving to find standing ground, after a partial retreat, for a new defense, in the doctrine of nationality. We are told that there is only a "national" and not a "political" economy, that there are no universal laws of exchange, consequently no science of political economy; that it is only an art, and has only an empirical foundation, and that it varies with national circumstances to such a degree as to be controlled by nothing higher than traditional policy or dogmatic assumption. Great comfort is found for this position in the assertion that the German economists have discovered or adopted its truth. How utterly unjust and untrue this is as a matter of fact, those who have read the works of the German economists must know. It is untrue, in the first place, that they are unanimously of the school of the *socialistes en chaire*, and, in the second place, it is untrue that the *socialistes en chaire* are clear and unanimous in their position. They occupy every variety of position, from extreme willingness to entrust the state with judgment in the application of economical prescriptions, to the greatest conservatism in that regard. Finally, it is not true that any of them are protectionists.

We do not intend, however, to discuss the opinion or authority of the schools in question. If it should be claimed that the extreme admission made by some of the Germans of this school, that protection may be beneficial to a nation at a certain stage of development, is applicable to the United States to-day, we should desire no better footing for the controversy.

It is more directly interesting, however, to examine the doctrine of nationality on its merits. It will appear upon even a cursory examination of this kind, that existing nations are arbitrary and traditional divisions. There was published in Europe, in 1863, when the Emperor Napoleon was urging on an attempt to secure stable equilibrium in European politics by adjusting political divisions according to race and language divisions, a map of Europe thus rationally constructed. The effort, however, offered the most striking proof of the impossibility of reconstructing, on any such rationalistic or logical basis, political circumstances

which are the historical outgrowth of political struggles and political accidents. The nations which must be made the subject of discussion are, therefore, such as exist, and of them it is true that their boundaries coincide with no lines of race, language, culture, industry, commerce, or anything else which would give the basis of scientific classification, so that different principles could be consistently applied in each. There was a time, indeed, when the civil subdivisions were small and numerous—when manners, customs, costumes and language varied over every hundred square miles of Europe—but the whole tendency of the great inventions of modern times is to obliterate these boundary lines for purposes of industry and trade.

It is not necessary to go into the history of Europe for proofs and illustrations. The very best are furnished by our own continent and our own nation. The geographical area known to-day as the United States is the result of discovery, conquest and purchase. It would have been impossible a century ago to constitute an empire of such extent, and to govern it according to the requirements of modern life. The improvements in transportation and the transmission of intelligence have made it physically possible, and the combination of local institutions with a centralized organization has made it politically possible.

When we turn to inquire, however, why it has been limited just as it has, why Canada and Mexico are outside, and why Texas, California and Alaska are within, we come at once to the historical antecedents which are partly accidents and partly ancient struggles and hostilities. Canada was never made thoroughly English before the revolutionary war; while it was French it was always hostile to the English colonies. This hostility was traditional, and there was no sympathy with the revolution. New Brunswick and Nova Scotia were largely peopled by the Tory refugees, whom the unwise severity of the Whigs forced to emigrate during and after the war. Texas was won from Mexico in war. California and the other Pacific States were obtained partly by conquest and partly by purchase. A few years ago we discussed a plan for purchasing San Domingo. Out of these historical movements, part of which fell out one way and part the other, the actual geographical limits of the United States result.

Now, according to the Constitution of the United States, no one of these States can make any laws restricting commerce between itself and any of the others. If it be asserted that states which pursue different industries cannot afford to trade freely with one another, here we have them—New York and Pennsylvania, Massachusetts and Minnesota, Maine and Louisiana. If it be asserted that states with like industries cannot afford to trade freely with one another, here we have them—Indiana and Illinois, Iowa and Minnesota, Massachusetts and Rhode Island, Alabama



and Mississippi. If it be said that small States cannot afford to trade freely with great empires, here are New York and Connecticut, Pennsylvania and Delaware. Why do not the great states suck the life out of the small ones? If it be said that new states with little capital, and on the first stage of culture, cannot afford to exchange freely with old states having large capital and advanced social organization, here are New York and Oregon, Massachusetts and Idaho. How can any territories ever grow into states under the pressure? If it be said that a state which relies on one industry cannot afford to exchange freely with one which has a diversified industry, here are Pennsylvania and Colorado, California and Nevada, any of the cotton states and any of the north-eastern states. No such strong illustrations are furnished by any states in the world which are sovereign and independent of each other. The Constitution of the Union enforces absolute freedom of exchanges, and each state pays its own taxes and supports its own government. The traveler rarely knows when he passes from one state to another. As to what he buys or where he buys, what he sells or where he sells, it would be considered an unwarrantable impertinence for any public official to inquire. Yet no man has ever been known, so far as we are aware, to complain of this as a hardship, or as imposing a loss upon him, and no such complaint has arisen from any state as a state, nor has any one been heard to claim that there was here an actual loss, which must be endured for the sake of the great benefits which come from Union. On the contrary, it is universally and tacitly agreed that this is one of the great benefits of the Union.

Here, however, comes in another phase of the matter. If a man lives in Vermont he must trade freely with New Hampshire, Massachusetts and New York, but if he wants to trade northward to Canada, it is regarded as fatal to him and to his country, that he should do so freely. As we won Texas from Mexico, we enter into absolute free trade with her, but we think that it would be ruinous to trade freely with the rest of the ancient state of Mexico. If we had got the political jurisdiction of San Domingo, we should have entered into free exchanges with her, but the difficulty of the political jurisdiction was the main ground of the wise decision of the nation not to buy that island. If, however, we cannot have the trouble of the political jurisdiction, we think it would be calamitous to have the free exchanges. Free exchanges with Cuba are not to be thought of on our part, even if they would be granted on hers.

Here, then, the refutation of the "nationality" notion is right before us, and it is at the same time the condemnation of our policy in regard to foreign commerce. If there be any such thing as an "American system"—a system which we can claim to illustrate and advocate before the civilized world, it must be that of absolute free trade, each state or

nation providing for its own needs and expenses, each state freely open to all comers, securing peace and safety to persons and property while within its borders.

The "British system" is different, and is distinctly defined. It is to raise revenue by customs for convenience, and to lay excises to counteract "incidental protection." We would be very glad to see the British system introduced into this country, but if the protectionists taunt free-traders with flinching from the consequences of their doctrine, we accept the challenge. We are convinced by the experience of the United States, that the best system would be to have absolutely free exchanges, and to leave each nation to pay the expense of maintaining the organization of society within its own borders.

Another application of the facts here discussed which is put to us, is deserving of far less respectful treatment. It is said that we have free trade already within the Union, and that we are discontented and unreasonable, because we demand more. It would be difficult to show why a man who has ten thousand dollars should not sue for ten thousand more which are due him, or why a man who enjoys the right of locomotion is unreasonable in demanding the right of association.

There is in all that we have said no infringement upon the true idea of the "nation," and no derogation from its value and dignity. It exists historically and traditionally, and we take it as it is handed down to us. It is an organized human society, whose limits are given historically, and are maintained for convenience, because they allow play to certain local interests, prejudices, traditions, habits and customs. Whether it is formed by accident and immemorial tradition, or by colonization and legislative act, it develops an organic life. The society as such develops functions. Its harmonious action emanates from its individual members and reacts upon them. Its government is the machinery by which harmony, co-operation and unity are brought about. It would seem, however, that America had done its greatest service to the world by showing that states did not exist for the sake of bringing men into convenient groups for making either commercial or military war upon each other, but that they might more easily embrace the earth in a family of harmonious communities.



## LECTURE II.

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### BROAD PRINCIPLES UNDERLYING THE TARIFF CONTROVERSY.

The world has heard a great deal about liberty for the last century. That period has been marked by great struggles on the part of nations to secure independence, and on the part of classes and individuals to secure freedom from old traditional restraints. The world has struggled towards "freedom" and "liberty" as if these were the first considerations of peace, justice, prosperity and happiness, and the result has been to produce, in the forefront of modern civilization, states whose fundamental principle is to give the freest scope to individual energy and effort.

We in the United States make it our greatest boast that we have accepted this broad principle absolutely, and applied it fearlessly; nevertheless, we, who are met here to-night, are associated to demand more liberty. There is no body of our fellow-citizens worth mentioning who deny the right and the expediency of private property. What we have to demand, and what the majority of our fellow-citizens—so far as their will has yet been constitutionally expressed—deny us, is the privilege of using our property as we like, that is, of exchanging it when and where and with whomsoever we will. When we demand this privilege, which belongs to us on the simplest principles of right reason and common sense, we are met by a speculative theory based on artificial assumptions, put forward sometimes on bare considerations of selfish interest, and sometimes with no little parade of abstract philosophizing. We are told, "Oh, no! It is not best for the state that you should do as you like about making your exchanges. The legislature must consider the question, and prescribe for you with whom and for what you shall exchange. If you deal with the designated persons, your countrymen, they will gain, the wealth of the community will increase, and you, as a member of the community, will participate, and be better off in the end than if you had been let alone."

Now, we dispute this theory at every stage. We deny that the state, *i. e.*, the legislature, can make any such provision for us better than we can make for ourselves, and we appeal to experience of everything it tries to do; we deny that it has any business to theorize for us in the premises; we deny that the designated persons will gain—at least, that they will gain as much as they would if they were left to deal with us on their own footing; we deny that they can gain anything from us, or



*account of the law*, but what we lose; we deny that the total gains to one part of society by this process can ever exceed the total losses of another part, *i. e.*, that the process can increase the wealth of the community; we deny, finally, that our share of these hypothetical gains can ever be redistributed to us so as to bring back our first loss. We have never seen money go through such a process, passing through many hands, and come back whole, to say nothing of loss and waste.

Thus the issue is joined. On the one side are broad and simple principles, so elementary that they are mere truisms, and on the other side are special pleas of various kinds set up to befog men's judgment, and prevent them from drawing the inferences which follow inevitably.

Let me suggest to you two or three of the broadest and most commanding principles which really decide this question:

1. We, Americans, have made it the first principle of our society that no man shall obtain by law any advantage in the race of life on account of birth or rank, or any traditional or fictitious privilege of any kind whatsoever, and on the other hand, we have removed, so far as the law can remove, all the hindrances and stumbling blocks which come from circumstances of birth and family. Society gives no aid, but it removes all obstacles of social prejudice and tradition. There is not a man in the country who does not respond with a full heart to the wisdom and truth of this relation of society to the individual. Now, on what principle is this relation based? It is on the belief that society makes the most of its members in that way. Some men have more in them than others. We do not know which is which until they show it; but we believe that the way to let each one come to his best, is for society to set them all on their feet, and then let them run each for himself. We believe that the best powers of the community are brought out in that way.

It does not follow that men so treated never make mistakes, and never ruin themselves. We see them do this every day; but if it were proposed that the state should interfere, few would be led astray by the proposition.

The same principle applies to trade directly and completely. The productive powers of men and communities differ, but whatever they are, more or less, they reach their maximum under liberty. The total of national wealth is greatest where each disposes of his own energy in production and exchange with the least interference. This is not saying that none will make mistakes, or that free trade will eliminate all ills from human life. Free trade will not make the idle enjoy the fruits of industry, nor the thriftless possess the rewards of economy. Poverty, pain, disease, misery will remain as long as idleness and vice remain. Free trade will only act in its own measure and way, to leave men face to

face with these things, with a somewhat better chance to conquer them. It is one of the great vices of protection that it makes the industrious suffer for the idle, and the energetic and enterprising bear the losses of the stupid.

2. If, now, you examine the opposite theory you will find that it assumes that we or our ancestors all made a great mistake in coming to this country and trying to live here. We are told that a tariff is necessary to "make a market" for our farmers, that a tariff is necessary to keep our manufactures from destruction, that navigation laws are necessary to preserve our shipping. Some of the old countries support a population twenty or thirty times as dense as ours with little or nothing of this artificial system. If, then, we are not able to live here without this aid, we must have left a part of the world where life is easier for one where it is harder. This brings me, then,

3. To the great fundamental error of the theory, viz.: That taxation is a productive force. No emigrants go to the desert of Sahara. None would go to New York if it were sand and rocks. If, however, New York is a part of the earth's surface, consisting of arable land fit to produce food for man; if it is intersected by mountains, covered by forests, and containing iron and coal, and if it possesses great rivers and a splendid harbor, then the conditions of supporting human life are fulfilled. It requires only labor and capital to build up there a great and prosperous community. It is plain that some parts of the earth's surface contain more materials for man's use than others, and the fact as to New York will affect the wealth of its inhabitants. It is plain that it makes a difference whether the people are idle or industrious, listless or energetic, sluggish or enterprising. It is plain that it makes a difference how much capital they have, or whether there are enough of them for the best distribution of labor. It is plain that it makes a difference what is the state of the arts and sciences, and what are the facilities of transportation.

The wealth of New York at any given time must depend on the way in which these factors are combined. Now the question arises: How can taxation possibly increase the product? Which one of the factors does it act upon?

Just consider what taxation is. We pay taxes, in the first place, to pay for the necessary organization of society, in order that we may act together, and not at cross purposes like a mob; but if that were all the state had to do taxes would be very small. We must support courts and police, and army and navy. These we need for peace, and justice, and security. But suppose that there were none who had the will to rob, or to swindle, or to cheat, or to do violence, the expenditures under this head would dwindle to nothing. It follows that taxes are the tribute we pay



to avarice, and violence, and rapine, and all the other vices which disfigure human nature. Taxes are only those evils translated into money and spread over the community. They are so much taken from the strength of the laborer, or the fertility of the soil, or the benefit of the climate. They are loss and waste to almost their entire extent.

This is the function of government then, which it is proposed to use to create value, to do what men can do only by applying labor and capital to land. Let us take a case to test it. Let us suppose that no woolen cloth is made in New York, but that a New York farmer, at the end of a certain time, has ten bushels of wheat, of which one bushel will buy a yard of imported cloth. After the exchange then he has nine bushels of wheat and one yard of cloth. If any one could make cloth in New York as easily as he could raise a bushel of wheat, some one would do it as soon as there was unemployed labor and capital, and that would be the end of the matter; but if no one undertakes the business it must be because labor and capital are all employed, or because it takes more labor and capital to produce a yard of cloth than a bushel of wheat. Let us suppose that it would take as much as a bushel and a half of wheat. Now, a protectionist proposes to the state to tax imported cloth one-half bushel of wheat per yard. If his plan is carried out the difficulty of obtaining imported cloth is raised to one bushel and a half of wheat per yard, which is the rate of difficulty at which it can be produced in New York. The protectionist then begins and offers his cloth at a bushel and a half per yard. The farmer who, as before, has produced ten bushels, now buys at the new rate, and after the exchange stands possessed of eight and a half bushels of wheat and one yard of cloth. Whither has the other half bushel gone? It has gone to make up a fund to hire some men to make life in New York harder than God and nature made it. From time to time we are told how much "our industries have increased." So far as their increase is in fact due to this arrangement, it is only a proof how much mischief has been done. This application of taxation does not alter the nature of taxation, it only extends its effects arbitrarily and needlessly, and inflicts upon the people a greater measure than they need otherwise bear of the burden which is due to robbery, injustice, war, famine and the other social ills.

4. Protection is, moreover, hostile to improvements. We are always eager to devise improved methods and to invent machinery to "save labor," but every such improvement which we introduce involves the waste and destruction of a great deal of capital. Old machinery must be discarded, although it is not worn out. This loss is not incurred by anybody willingly; it is enforced by competition. When, therefore, competition is withdrawn or limited the incentive to improvement is lessened or destroyed. This applies especially in manufactures where the interna-



tional competition is cut off by protective duties. The same principle that protection resists improvement applies even more distinctly to those improvements which are made in transportation. In spite of their theories men rejoice in all the improved means of communication which bring nations nearer together. A new railroad or an improved steamship is regarded as a step gained in civilization. Such improvements are realized in diminished freights and diminished prices of imported goods. No sooner is this realized, however, than "foreign competition" is found to be worse than ever. An outcry goes up for "more protection," and a new tax is put on to-day to counteract what we rejoiced over yesterday as an immense gain. We spend millions to dredge out our harbors, to remove rocks and cut channels through sandbars, as if it were a gain to have communication inward and outward as free as possible, and as soon as we experience the effects in reduced cost of goods we lay a new tax, like restoring the sandbars, in order to undo our work. Indeed, to build sandbars across our harbors would be a far cheaper means of reaching the same end. Next, we find that the numerous and complicated taxes have made it impossible for us to build ships to sail across the ocean where they must come in competition with foreign ships; so we make navigation acts and forbid the purchase of ships, exclude foreigners from our coasting trade, and finally, propose bounties and subsidies, all of which must come at last out of the products of our labor, in order to try to get ships once more. It is like the man who cut a piece from his coat to mend his trowsers, a piece from his vest to replace the hole in his coat, a piece from his trowsers to restore his vest, and so on over again. Did he ever get a whole suit? He found in a little while that he had only a rag left.

We are told, however, that if we do not do all this we shall be "inundated" with foreign goods. The word is appalling, and carries with it a fallacy which often seems to have great power. On what terms shall we get this flood of good things? Will they be given to us? If so, what can we do better than to stop work and live on this generosity? Why are we, however, selected as the especial objects of this bounty, if bounty it is? Why do not England and France and Belgium and Germany pour out their inundations on Patagonia and Iceland? The answer is plain enough. The goods are not gifts, they are offered for exchange. Nothing can force us to buy or dictate terms of exchange; and the inundation comes to us because we are known to be rich and able, and because we inhabit a continent prolific in some of the chief objects of human desire. It is not the beggar who, when he goes down the street, is "inundated" with wares from the various stores. If it were he would probably stem the tide with joy. It is the rich man only to whom good things are freely offered with a well understood condition; few rich men have ever been heard to complain of it. If, then, the Americans have these good things offered them

in exchange and they allow themselves to be worsted in the bargain, they sadly belie their reputation.

These few observations which I have now presented as bearing on this subject are very broad and comprehensive, and very sweeping in their effect. They appeal directly to common sense and right reason. They give us the correct point of view, and dispel some of the fog which has collected from habit and prejudice around this subject. They lead us right up to the doctrine which the United States have put in practice in their own internal trade—absolute freedom of exchange and local or internal taxation. We have proved the practical value of that system here over a continent. I cannot see why the same system would not be a great gain if extended over Canada, Mexico and the West Indies. I cannot see why it would not be a great gain if all South America were embraced in a confederation exactly like ours as far as this point is concerned, with absolute free trade between the states. I cannot see why all Europe would not gain by similar relations, as far as trade is concerned; and I see no reason why it should not be equally beneficent if extended to the whole civilized globe.

The objections come in the shape of stubborn prejudices and old errors attaching to narrow and special considerations. Some people dread the sweep of a great general principle, however clear and certain and scientific it may be. They dispose of it as a "theory." Well, I am a theorist. I accept the disabilities and demand the advantages of my position; and when I find a great principle founded in an observation of facts and experience, I am not afraid to follow it up to its last corollary. The statesman must do what he can in the face of tradition and prejudice and vested interests, and I presume that it will be long before the public will be so enlightened as to demand to feel every cent that it pays in taxes for the very sake of knowing the amount, but I am clear in regard to the wisdom of such an arrangement.

In the further lectures which I am to give I propose to treat the subject historically for I believe that the tariff history of the United States shows most clearly some of the worst of the evils of the system, and I think that every one ought to know how this system has grown up and been fastened upon us.



### LECTURE III

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#### THE ORIGIN OF PROTECTION IN THIS COUNTRY.

The war of American Independence was a revolt against unjust taxation. In the same year the Declaration of Independence was adopted, and Adam Smith published his "Wealth of Nations." They were two revolts, one political, the other scientific, against the prevailing dogmas of the mercantile system of political economy. They were twin incidents in the revolt of modern life against the traditions of the middle age. It is at once a pity and a surprise that the last century has seen their developments diverge instead of combining.

The revolt of the American colonies was against the "colonial system," which was itself only a part of a grand theory about the relations of nations as regards trade. According to this theory, nations were to be isolated from each other. They were not regarded as merely groups in the body of mankind, having common interests, but as distinct and separate bodies, having hostile interests, and ruled in their relations to one another by jealousy, suspicion and desire for plunder. Civilization had advanced so far that these motives were regarded inside the nation as barbarous and injurious, but they still prevailed in international relations. In regard to trade, it was believed that its object was to get possession of money—precious metals—that this was wealth, and that only one party to an exchange could gain by it. It naturally followed that complicated laws were made to control trade and drive it into the forms which men thought wiser and better than those of nature. Export duties were laid on raw materials to make them cheap; bounties were laid on exports of manufactured goods in order to increase exports; duties were laid on imports to diminish them; prohibitions were laid on the exportation of specie, or on the exportation of machinery, or on the emigration of laborers. Navigation laws, including discriminating duties and tonnage taxes were passed. All this belonged to the great system: the effect was to isolate nations, to rob them of each other's gains in literature and the arts and sciences, and to cut off all that highest development which comes from the action of states on states.

When this system was complete and the barriers were established, nations began to put in special gates, well defended, at which they agreed to let each other in and out for special forms of trade, at particular times and under strict regulations. We ask, in astonishment, if this was trade;



if men really believed that trade must be watched and restrained in this way. We see that the private trader cannot make his place of business too attractive, nor set the door too wide open, nor make the approach too easy, nor be too indifferent as to who comes, or how, provided he comes for honest trade. But the method we here find in use suggests only dread, suspicion and war. The machinery is that of a fortress, not that of a market.

The colonial system was only a part of this system. When the old States had all been thus isolated they began to seek possessions in the new world, with which each for itself could hold free trade but exclude all others. That is, foreign commerce was, after all, a good thing, and free trade was a good thing, if you could hold the foreign nation in subjection and coerce all its relations. If the colony could be used for the interest of the mother country, freedom, on this theory, became a good thing for trade. This theory had an obvious weakness, that if the colony ever got strong enough it would not endure this warping of all its energies in one direction, but would get independence in order to come into free relations with other nations besides its mother country. Such is the actual meaning of the American war of independence.

It would seem natural that the emancipated colonies would seek *free* intercourse with all nations, and it is a very curious study to see how this logical tendency conflicted for years after the revolution with inherited traditions and prejudices. On the 6th February, 1778, Gerard, Franklin, Deane and Lee made a treaty of alliance and also a treaty of commerce between France and the United States. In the latter treaty it was agreed to avoid "all those burthensome prejudices which are usually sources of debate, embarrassment and discontent," and to take as the "basis of their agreement the most perfect equality and reciprocity." They further refer to the general principle by which they were guided as that of "founding the advantage of commerce solely upon reciprocal utility and the just rules of free intercourse." Up to this time the principle of treaties of commerce had been that two nations made an agreement to give each other special and exclusive privileges. The Americans introduced this much of a new principle, that they would not enter into those complicated relations by which Europe, after having cut off all natural relations, had set up special, narrow, arbitrary and artificial relations between nations, but that they would hold themselves open to the freest relations they could establish with all parts of the old world.

Hence we find their representatives abroad eagerly pushing, at every opportunity, for chances to establish commercial relations. They met with all kinds of obstacles. Old habit had accustomed nations to deal with their own colonies only. They had no idea what good things the North American colonies could offer. The habit of suspicion was strong

and the prevailing notions of trade led them to apprehend dangers rather than advantages from trade. On the other hand, as it had generally been believed that England had gained great advantages from her colonies, there was great eagerness to get a share in those advantages now that they were free and open, if only the aspirants had been able to find out what those advantages were and how to obtain them.

It is strange to read the correspondence of the American agents abroad, and to see how they argued and discussed with grave ambassadors about the "loss" which one nation would suffer in trading with another, any shipment of specie one way or the other being regarded as an infallible sign of loss. The Americans were by no means clear in their ideas, and did not combat these notions on principle, but apparently coincided in them. They sought equality and reciprocity, but they never rose to the height of the only true doctrine. In an exchange both parties win, or else obviously one would refuse to trade. If then one party puts obstacles in the way, the total gain is diminished, the diminution probably being divided. If the other party creates an obstacle, the gain is still further diminished or destroyed. It is a matter of regret therefore when one party is guilty of this folly, but it only doubles the mischief, and still further injures the other, if he likewise perpetrates the same folly. This is the answer to the well worn and stubborn notion that free trade must be reciprocal, or would be good if all nations would adopt it. One nation which adopts free trade gets more than it would if it put on restraints, even though all other nations may have restraints. It will share the gain if they follow its example, for the gain is multiplied at every step, but, even while they hold back, it gains as much as it can and makes the best of a bad state of things, while waiting for them to come to a better mind, if it adopts freedom. What would be thought of a grocer who refused to trade with the hatter who would sell him the best hats at the lowest price, because the hatter did not buy flour and sugar of him?

The American ministers had little success in their efforts to make treaties such as I have described. The one with England was the one most eagerly desired. Under the prevailing notions the English had expected to suffer immense losses by the separation, but habit and the excellence of English goods revived trade immediately after the war, and the trade was found as good as ever. A treaty which would have been eagerly seized in 1782 was refused in 1785. They did not care for any treaty.

Here we come to the first case in which currency errors became intertwined with errors as to foreign trade, a junction which has run through all our history to the present moment and which has been prof mischief. In 1781, after the downfall of the continental currency,



specie became very abundant here, being bought by both French and English. The States, however, still had vast quantities of paper afloat. As soon as the war ended this specie was all exported and expended in the purchase of goods long missed. The export of specie in 1783 was ten millions. The import of goods from England in 1785 was 10 millions, and the exports 3.9 millions. In 1770 the imports were 8.5 millions, and the exports 4.5 millions. This explains why the English were so well satisfied with the revival of trade.

During the war many industries had sprung up to supply the wants of the people for manufactures formerly imported. At the return of peace these industries were prostrated, and a cry began to be made at that time that the country could not stand free trade, and that it must do as England had always done, that is, imitate the old restrictive system. The real demand was that some way should be found by law to continue upon the American people, by their own act, the evils which the war had inflicted on them. We shall see more of this when we come to the tariff of 1816. Whatever may have been the effect of peace to destroy the war mushrooms, we find that there were, in 1789, manufactures of iron, glass, paper and cloth here, which were boasted of as strong and prosperous, and propositions were made by competent capitalists for mining iron on a large scale in Pennsylvania, which fell only on account of the turbulence of the inhabitants and the insecurity of titles.

While things were in this state, Adams wrote from England in great disgust at the rejection of his treaty, and urged reprisals. He declared that we could get no treaty until we should set up restrictions, that is, we were to put a hindrance in the way in order to make a bargain for getting English obstacles removed by promising to remove ours. Massachusetts took this advice, but found that it drove trade away to Newport and Portsmouth. Virginia did the same, and found that she had likewise benefited Maryland and North Carolina.

Meanwhile the government of the Confederation was falling to pieces, and was a pity and a laughing stock. It had no revenues and could not pay instalments on its loans as they fell due, nor even the interest on its debt. Misery was great throughout the country, owing to paper money and debt and the losses of war. The people were discontented and rebellious, actual disorder occurring in Massachusetts, Pennsylvania and North Carolina. The Congress was begging the States to lay a uniform five per cent. duty to provide a revenue for the Confederation. The question of import tax was, therefore, bound up with the question of civil order, protection to manufactures, foreign commercial relations, and the misery arising from bad currency at home. Virginia having tried to come to an agreement with Maryland to enforce a common revenue system on the great waters of those States, this was found



to be impracticable without the coöperation of other States. This led to the Congress of Annapolis in 1786, which was only a commercial convention, and which found no better way to discharge the task it had undertaken than to recommend Congress to call another convention in the following year to revise the Articles of Confederation; that is, to provide for a common revenue system, and for "the regulation of commerce," by giving the general government permanent power for those purposes. The Convention, when it met, made a complete reconstruction of the Articles of Confederation and gave us the present Constitution. You see, then, just how much truth there is in the assertion that the country was ruined by free trade during the Confederation, and that the Constitution was made to give protection.

In the Constitutional Convention, the question of free trade came up under the form of a desire for a navigation law, and it at once took a sectional form. The Eastern States wanted the Constitution chiefly in order to get such a law. The Southernmost States wanted free trade. The positions of the two sections were inverted in regard to slavery, while some of the Middle States wanted neither navigation laws nor slavery. It was one of the compromises of the Constitution that the power to regulate commerce was inserted, together with the allowance of the slave trade until 1808 (under the permission to tax slaves not over ten dollars per head), and the prohibition of export duties.

No sooner did the House of Representatives get a quorum than the subject of revenue came up, and no sooner was the subject of revenue taken up than the question of protection was raised.

In the debate, Madison said:

"I own myself the friend of a very free system of commerce. If industry and labor are left to take their own course they will generally be directed to those objects which are most productive, and that in a manner more certain and direct than the wisdom of the most enlightened legislature could point out. Nor do I believe that the national interest is more promoted by such legislative directions than the interest of the individuals concerned. Yet I concede that exceptions exist to this general rule, important in themselves, and claiming the particular attention of this committee. If America were to leave her ports perfectly free, and to make no discrimination between vessels owned by citizens and those owned by foreigners, while other nations make such discrimination, such a policy would go to exclude American shipping from foreign ports, and we should be materially affected in one of our most important interests."

Again, in reply to Fitzsimmons, of Pennsylvania, who wanted more protection, and wanted to discourage luxury, and made certain propositions to that end, he said: "Some of the propositions may be productive of revenue, and some may protect our domestic manufactures, though the

latter subject, which involves some intricate questions, ought not to be too confusedly blended with the former."

That is to say, he was one of those who believe that a doctrine can be true and its application unwise, and he thought that the coercion to be exercised on somebody else by doing one's self an injury was sufficient cause for submitting to suffering. He also tried very hard, on this and subsequent occasions, but fortunately in vain, to introduce discriminating duties as between the nations with which we had treaties and those with which we had none.

Perhaps the most remarkable utterance which has ever been made in the discussion of this tariff question was made by Fisher Ames in this debate of 1789. He said: "From the different situation of the manufacturers in Europe and America, encouragement is necessary. In Europe the artisan is driven to labor for his bread. Stern necessity, with her iron rod, compels his exertion. In America, invitation and encouragement are needed. Without them the infant manufacture droops, and those who might be employed in it seek with success a competency from our cheap and fertile soil." For a man to adduce the facts which are the grandest argument on one side of the question as an argument on the other is not common, and that a man like Fisher Ames could do it is a proof of the depth to which long rooted notions can affect a man's mind. The argument amounts to saying that it is so easy for laborers to get a living in America, that we must make it hard to get a living here in order that work may be done. It states the protectionist position in America, however, with great exactness. The cheap and fertile soil, by nature, holds out to men of the artisan class a competency in return for moderate and easy labor. In order that they might be forced to work at manufactures, which were, in the nature of things, less remunerative in a new country with boundless fertile soil, it was necessary to curtail by artificial and legal arrangements the profits of agriculture. This is just what the tariff has done from 1789 until this day. We are more familiar with the argument under the form of the comparative rates of wages here and abroad, but it comes back to just what Ames so simply stated. The competition which the protectionist employer has had to contend against here has never been the cheapness of foreign labor; it has been the greater return which his men could get by putting the same labor on the soil. That is the only meaning of the high wages in this country. What makes wages high? Where do they come from? Or why is it that artisans are told that protection makes wages high? How are these things reconcilable? Or how is it that the foreign labor with which we are told that we cannot compete is especially that of England, where wages are higher than anywhere else in Europe? Or why is it that high-priced labor can com-



pete here in agriculture and stand three or four thousand miles of transportation? Wages are high here because men of the wages class can get all the fertile land they can till by going to it; because the capital required is very small, and because the returns are almost pure reward of labor. Hence they will not go into the wages class unless the inducement is equal. It is the great form in which the new country holds out grand opportunities to the man who has nothing but his manual labor to depend upon, and the protective system does, and always has taken away from the farmer, laborer and artisan, the advantages which nature offered him in the new country.

To return to the tariff debate of 1789. The character of all tariff legislation in this country, as a grand grab struggle between interests and sections, was illustrated then.

The South, except Georgia, wanted a high tariff duty on rum, for revenue; the Middle States, in the interest of temperance, the Eastern States, for protection to their rum distilleries. Georgia opposed this tax because she used a great deal of rum, and bought it in the West Indies with her lumber. The Southern and Middle States wanted a tax also on molasses, but this the Eastern States vigorously opposed. Molasses was the raw material of rum. It was bought with salt fish, lumber and staves sent to the West Indies. Rum was itself an export to Africa. Both the Eastern States, in this case, and Georgia, in the preceding, felt and urged the truth which the South urged in 1832, but which the manufacturers scouted, that the tariff on imports would diminish the trade and lessen the exports; that is, cripple the "home industry." Our present tariff is unquestionably acting in the same way on all the great staple agricultural industries of the country which export their product.

The South opposed the tax on iron and steel, as all agricultural interests must. The Pennsylvanians replied that the manufacture was already established in their State, and that a slight duty would, "in a little while," lead to a great production.

The South wanted a protective tax on hemp, claiming that rice and indigo were unprofitable. Pennsylvania opposed any tax on hemp as a raw material of cordage, but wanted a tax on that. New England opposed the tax on cordage as a raw material of ships, but wanted protection on the latter. In the midst of this wrangling effort to invent some way by law to enable people to get rich in the country, it is interesting to notice that cotton was only incidentally alluded to. A tax of three cents a pound was put upon it, on the chances that it might come to something. This well illustrates the amount of foresight that statesmen can ever exercise in these matters. They passed over an article, destined by natural circumstances to become one of the great staples of the country, while they were looking for something to encourage, and when they found such



an article, whose value lay in nature and fact, it was totally beyond their puny systems of artificial aid.

The South opposed any duty on spikes or nails. Goodhue replied for New England, that they were already exported, and that a tax would soon produce enough for all North America. It was a "domestic manufacture" in chimney corners. "Domestic manufactures" was a term then used for household manufactures, which were regarded with great favor as a desirable thing.

For twenty-five years after this time protectionist journals gathered instances of farmers whose wives or daughters spun and wove, and whose sons spent the evening in making nails at the chimney corner, and such journals paraded these cases as glorious instances of industry. This went on long after machinery had so cheapened these manufactures that an hour's farm work would pay for more goods of this kind than people could make by hand in a day, but the old people who clung to the method were pointed to as models, and the young people who preferred printed calicoes to homespun and leisure to nail-making, were scolded for their extravagance. This opinion had no necessary connection with protection, but it sprang from the general erroneous point of view that we want work for the sake of work, and not for the sake of results; that industry is a good thing, not because it produces more goods, but because it is work; that the ideal of life is not abundance with leisure, but scarcity with toil. Hence it seems wise to refuse the benefits of machinery owned by foreigners in the first place, and before they know it, those who advocate protection to bring factories into being are applauding those who refuse to profit by the machinery when established.

New England and Virginia, which latter then expected to become a ship-building State, favored navigation acts as protection to shipping. The other States, as freight-payers and not ship owners, objected. A discriminating tonnage duty was laid, and ten per cent. was reduced from duties on goods imported in American ships. A special discriminating duty was laid on tea, because the tea trade could only be carried on by "a drain of specie." The wars in Europe and the increased trade of neutrals during the next twenty-five years led to an immense increase of American shipping independent of protection, but it became an important precedent, as I shall show, in the tariff debate of 1816.

The tariff of 1789 avowedly adopted the principle of protection. The preamble read as follows: "Whereas, it is necessary for the support of the Government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid, &c." It was declared to be only temporary in order to give infant industries a start, and was limited to 1796. The duties levied under it were equivalent to an *ad valorem* rate of  $8\frac{1}{2}$  per cent. During the debate some

fears were expressed that the duties might be so high as to encourage smuggling. To this Mr. Madison replied that he "would not believe that the virtue of our citizens was so weak as not to resist that temptation to smuggling which a seeming interest might create. Their conduct under the British Government was no proof of a disposition to evade a just tax. At that time they conceived themselves oppressed by a nation in whose councils they had no share, and on that principle resistance was justified to their consciences. The case was now altered; all had a voice in every regulation, and he did not despair of a great revolution in sentiment when it came to be understood that the man who wounds the honor of his country by a baseness in defrauding the revenue, at the same time exposes his neighbors to further impositions."

This tariff, then, was the thin edge of the wedge. The duties were raised the next year so as to equal an 11 per cent. *ad valorem* rate, and in 1792 they were raised to equal 13½ per cent. Between the tariff of 1789 and that of 1816, a period of twenty-six years, seventeen acts were passed affecting duties, generally and steadily raising them.

The most important incident in this early tariff history was Hamilton's report on the manufactures, December 5, 1791. It came from a man who held and deserved high authority as a statesman, and it dealt with the subject in a comprehensive manner. It has been the arsenal from which our popular school of protectionists have borrowed ever since. Its political economy, however, is very erroneous, and defective in many fundamental respects. It is erroneous as to wages, and it confuses credit, capital and money. It is marked throughout by the errors of the old mercantile system, hinging all its views of foreign trade on the import or export of specie to be occasioned. Thus Hamilton says: "The West India Islands, the soils of which are the most fertile, and the nation which in the greatest degree supplies the rest of the world with the precious metals, exchange to a loss with almost every other country."

He admits the force of the broad free trade arguments, but thinks that while other nations follow the restrictive system, the United States must do so. He speaks of the hindrances met with in attempting to export American products, which would seem to point to a general conviction of the mischief of the entire restrictive system, and not to the conclusion that the United States ought to adopt the same policy. Though led to advocate protection on this special plea, he goes on to try to give it a theoretical justification. We shall have occasion to notice this again; but I beg you here to observe the difference. If the argument was made, as it often was for our first half century, that free trade was good, but that we must restrict because others did, it would follow that we ought to abandon restriction as fast and as far as others did. If the argument was based on principle and theory, it would be good any time,



for all nations, and forever. The argument of expediency was used, however, as in this report of Hamilton, to break the force of the common sense free trade view, and the theoretical argument was smuggled in behind it. He distinguishes seven particulars in which he thinks protection is theoretically advantageous. Of these, three, "the division of labor," "affording greater scope for the diversity of talents," and "affording a more ample and various field for enterprise," are only subdivisions of the great doctrine of the "diversification of industry," and may be noticed under that head. The issue here between the free trader and the protectionist depends on radically different views of human society. The question is whether industry diversifies itself as chances arise under the operation of natural forces, so that man can neither hasten the process nor retard it without doing injury; or whether the legislature must be always on the watch to discharge a heavy responsibility resting upon it, viz., to tell society when and how to adjust itself into groups for industrial purposes. The industrial history of the American colonies offers the best proof in the world of the truth of the former view. There we see communities growing from the simplest germ, isolated to a certain extent. We see that the development of society is as regular and as natural as that of a plant, and there is no more need of human interference than there is to make a bud burst into a blossom at the proper moment. It is a development, moreover, which cannot be hastened without injury. A new country cannot have the higher social developments until its population begins to grow dense. It is so with us yet. We have not the literature or the science or the fine arts of the old countries, but we have not their poverty and misery. We must take our advantages and disadvantages together.

Now the diversification of industry comes, so far as it is desirable or advantageous, of itself. We must wait for it till it comes, and we must take it when it comes. The South will find its interest in cotton culture as a great prevailing industry for a long time to come. The same is true of the wheat of the West. No preaching can induce men to abandon the industry which is the most lucrative, and no law can make them do it without injuring their interest. As for the scope for varied talents, persons go to the places which offer an arena for their talents. They do not sit still and say: "Let us make an arena here." The tendency of man, as transportation is made easier and emigration freer, is to stop trying to coerce nature, and to put himself where nature spontaneously aids him. As for the division of labor, it is just as great and just as advantageous, now that transportation is easy, if the laborers are locally distributed as if they are industrially distributed. Look at the distribution in our own country. The South raises raw materials, the West raises

food, and the East manufactures. As for the varied field of enterprise, the world opens that, and our enterprises seek the place of advantage.

Hamilton next says that protection extends the use of machinery. He means that if there are manufactures, there is more use for machinery than there is in agriculture. On this view you do the business to use the machinery, you do not use machinery to do the business.

Next he argues that protection furnishes additional employment to classes not formerly engaged in the business. This is the argument that protection makes work. It is very true that protection makes work, but that it makes more work without making more product. It increases the human exertion necessary to gain the same amount of good.

He had in view domestic work auxiliary to adjacent manufactories. He thinks that the factories offer employment to the wives and children of farmers, in work which they can do at home. He refers to the children employed in factories in England, and he thinks that the farmer's income might be enlarged by this aid. Let us realize the facts. An American farmer could, by virtue of the advantages of the new country, if untrammelled by interference, support himself and a family by his own labor. Farm work furnishes opportunity for the participation of all the family to a certain degree. Beyond that the farmer could give his wife leisure for the culture and accomplishments of life. He could also support his children up to maturity, giving them a long and complete education. Now adopt the protective system and put up a fostered industry by the side of his farm. I think it very likely that you would soon find his wife spending her time over work from the factory, and his children curtailed of their time of education and sent to work in it. It would be found necessary to take some such step to keep up the family income to the old figure. Work would be made for the wife and children, and the amount of that work which they would be obliged to do would be no unfair measure of the harm the restrictive system had inflicted on the farmer. The protective system simply lowers the social attainments of farmers and farmers' wives, and lessens the degree of education to which farmers' children can aspire.

The next object which Hamilton thought that a protective system could attain was the promotion of immigration. The best examination of this claim is to look at the fact as to what immigration has taken place. Of course protection cannot be credited with any other immigration than that which has taken place amongst workmen in the protected industries. The total immigration for fifty-one years, from 1820 to 1870, was 7,800,000. Of these 4,800,000, or 61 per cent., had no occupation or stated none. They were mostly women and children and laborers, supplying manual labor, which the new country demanded in large quantities. The next largest number was of laborers so reported, 1,300,000.



The next number was of farmers, 900,000, bearing witness to the attractions of the natural advantages of the country simply. The next number was of mechanics, not specified, 500,000. Of the others, the only ones possibly included in protected industries were, miners, 92,181; weavers and spinners, 14,790 (of whom nearly half came between 1830 and 1840, when, as is well known, large numbers of persons in these trades came from England on account of the introduction of machinery, and sought other employment here); manufacturers, 4,520. Now, if we look at the half million mechanics, we find that very few of them belong to industries which are protected. For the sake of a closer examination, take a year of high protection and very large immigration, 1870. The total immigration was 387,203. Of these, those classified as "skilled workmen," numbered 31,964. Of these, 8,061 were "mechanics not stated," leaving say 24,000. The largest numbers amongst these were, blacksmiths, 2,378; carpenters, 4,421; masons, 2,190; shoemakers, 1,557; tailors, 1,660 (none of whom certainly profited by protection); miners, 4,763; weavers, 1,178 (who came into more or less protection). The others who belonged to protected industries were, brewers, 362; cutlers, 5; distillers, 2; file-makers, 2; gunsmiths, 2; hatters, 58; hoemaker, 1; instrument maker, 1; iron workers, 3; jewelers, 409; nailmakers, 19; potters, 8; printers, 180; puddlers, 2; rope-makers, 3; saddlers, 167; shipwrights, 9; soap-makers, 2; spinners, 7; tanners, 102; wool-sorter, 1; operatives, 23; shepherds, 23. Out of a total of 387,203 immigrants, the number who came to make articles which either could be or were protected was 6,960, or less than two per cent. It appears that protection has not drawn immigrants, as a matter of fact.

Hamilton's next point is that protection secures a more certain and steady market for the products of the soil. This is the notion of the "home market." Hamilton urged it on the ground that foreign restrictions hindered the exportation of an agricultural surplus. He thought it necessary for government to take the matter in hand and provide or secure a home market. Obviously it is an advantage to any new country to increase its inhabitants. If such increase took place anywhere there must follow an increased production.

Now, for the sake of brevity, I will state in general terms what happens, although every proposition might be illustrated abundantly from our own colonial history. The industries which begin first in a new country are those which the economists call "extractive industries." They require little capital, and admit of little division of labor. They are agriculture, lumbering, hunting or trapping, fishing and mining. Some mechanics are needed in the building trades. In regard to these persons, one principle I have already stated was illustrated in the early history of Massachusetts. They would not work except at wages which

would equal the remuneration which they could get in the industries mentioned. The way the Puritans tried to deal with the problem was to fix wages by law, but the men either took to agriculture, or went on to other settlements where there was no such law. At first, every farmer is his own wheelwright and blacksmith and carpenter. As the population increases there is a surplus of agricultural products. Some who have greater skill or taste for the mechanical arts work in those occupations for others until the division of labor becomes established gradually and naturally. Some products are exported, being raw materials of great demand. Manufactured goods, cloth, tools, books, paper, and all the comforts and conveniences of the old life of the colonists are imported in exchange. Some become merchants to carry on this exchange, and build a town at the seaport. At first, clergymen and schoolmasters may be the only professional men, and they act as lawyers and doctors. All participate in legislation; merchants do all the banking. As the population increases and the country fills up the extractive industries become less lucrative. The sources for some of them become exhausted, the supplies of others become superabundant. Farming itself undergoes subdivisions and refinements. Orchards are planted for fruit, and gardens for vegetables. Stock raising becomes profitable, and dairy farming is extended. Simultaneously with this, without any dividing line, or any exertion whatever, the simple mechanic arts which existed at the outset grow into independent manufactures, according to the circumstances of the case. It depends on the distance of the colony, the facility of transportation, the market for its surplus abroad, the amount of land open, how soon or how rapidly this social organization will be developed. If foreign nations all had severe restrictions upon the entrance of the goods this country wanted to export, they would put just so much premium on the early development of manufactures there. The whole tendency of a surplus supply of food would be to force some of the producers of it to seek some other employment, in which they would produce other things to exchange with their neighbors for food. Every refusal of a foreign country to take the only things the new country could offer in exchange for its goods would throw the inhabitants back on their neighbors to supply the want by such exchange. Every such act would, moreover, diminish the value of the surplus, that is, would increase the amount which the farmer could afford to give his neighbor for making his cloth and iron for him. The "home market" would thus "provide" itself, if it was wanted, and the want itself would be the result of foreign errors, injuring in just so far the community in question. If one of their own statesmen took it into his head that it was his business to provide a home market, he could only do it by adopting the restrictive sys-



tem, and still further depressing the profits of agriculture, and thus accelerating the mischievous process already at work.

The repeal of the corn laws in England was accordingly a great blow to American manufactures, because it allowed American agriculture to come to a part of its natural rights, and we have been trying, ever since 1861, to neutralize this by heavier pressure of taxation. That same repeal, however, took away all Hamilton's argument, and the general argument has since been altered. We have been told lately that protection is to bring the manufacturer and the farmer near together; to give the farmer a market near his own door, and in various ways the export of agricultural produce has been represented as an evil. But when we talk of "bringing" the manufacturer and farmer together, it may fairly be asked: Who is to "bring?" This is language for an Assyrian king, deporting inhabitants from one part of a country to another. If the manufacturer finds the conditions of successful industry lead him to a certain spot, well and good. That spot will enjoy the benefit of its peculiar advantages. But if it has no such advantages, and we plant a factory there, shall we thereby give them to it? Shall we ever get back the expended force? Shall we not rather suffer loss so long as the artificial creation stands where it ought not to be? Will not that loss come out of the legitimate, sound and healthy industries? The error is in thinking that we ever can get out of an artificial creation any more than we put into it; it is only when we get nature to work with us and for us, that we can get anything gratuitously. The American farmer has long ago found that there cannot be two prices in the same market; that he does not get any different price for his wheat if consumed next door from that which he gets if it is consumed in Manchester. He rarely knows where it is consumed and never cares.

The whole idea of advantage in bringing farmer and manufacturer together is a delusion. It is much more important to bring the various manufacturers together, because they form groups which assist and sustain each other, and it is important to bring them to the country or place where the conditions of success exist. This place will not be where the profits of capital and the wages of labor in either agriculture or commerce are exceptionally high. Hence to carry a factory by force into an agricultural district will be to ruin the factory and not help the farmer. Where the profits of one industry far exceed those of all others, we have that one only. Where the profits of several are equal, we have them all. The advantages and disadvantages of either state of things are about equal.

Hamilton next proceeds to consider the objection to manufactures, that they are impossible here on account of the dearness of labor and the scarcity of capital. He reduces both these objections to a minimum, but shows thereby that protection was not necessary, and proves finally that

manufactures were possible by enumerating many which were already thriving. In fact the country became very prosperous in 1789 and 1790 so soon as civil order was secured.

Further on again he urges an argument which is especially interesting because at a later time it became very popular: that protection lowers prices through the home competition. One is impelled to ask why, then, those interested desire it. Who would urge Government interference to lower the price of his goods? If the Government should so act, who would not cry out to be "let alone"? Nevertheless, the assertion is not without truth, only it is not all the truth. The first effect of a tariff is to draw many persons into the protected industries who believe that the tariff gives them full margin, and that special knowledge, or business care, or sagacity in choice of situation are not necessary. Factories are built extravagantly, or in bad situations. There follows large production, a glut, a fall in prices, perhaps even below foreign prices. Then come failures of those who have been most reckless. Then the remaining strong firms continue and adopt rules to "limit production," the necessary manipulation of any monopoly. Prices rise again on a limited supply, and the operation is repeated unless the combination is really strong enough to keep others out. These fluctuations are the real character of a tariff system, not either high prices or low prices, and they are one great reason why protection does not protect.

Hamilton next considers the means of protection, of which he enumerates eleven. These are import duties, prohibition on imports, prohibitions on exports, bounties, premiums, drawbacks, patents, inspection laws, facilitation of remittances, and improvements in transportation.

It is worth while to notice and pay tribute to the good faith of this statesman, who, however mistaken, believed that he was working for his country's good. He was not an advocate of a special interest, and he, at any rate, treated his subject philosophically. You have here the whole system of interference logically carried out. Bounties, patents, premiums, inspection laws, Government banking, and subsidies to transportation—all belong to one consistent theory, and you are dealing with a man who, at any rate, could seize a principle and either pursue it as true or abandon it as false. The issue comes squarely before you. Either it is the business of Government to do all these things or none. You either want a paternal Government or you want a Government which is merely a reserved force in behalf of peace, justice and security, and which is at its best when it has the least occasion to act. Hamilton's scheme has been very unequally carried out. Export duties are forbidden in the Constitution. Bounties on exports we have never directly employed. Drawbacks are substantially the same thing, although they are professedly



intended to counterbalance duties on raw materials. Direct bounties and premiums we have not used, because the loss would be too distinctly seen. For that reason, however, they would be the best arrangement of all if we were to go into the system at all. By the census of 1870, the laborers engaged in manufacturing pig-iron numbered altogether 27,554, and their wages amounted to \$12,400,000. The capital employed is returned at \$56,100,000. We are pointed to this as a great industry—a grand thing to have. The duty was, when the census was taken, \$9 per ton, and the market price of American over imported iron showed that this sum was directly added to the cost of all we used. The product of the home manufacture was 2,000,000 tons, on which the tariff cost us \$18,000,000, of which the public treasury got not one cent. Seven per cent. on the capital in pig-iron manufacture would be \$3,900,000, which, with the wages paid to laborers in that trade, would make \$16,000,000. If, therefore, we had made a bargain with the pig-iron manufacturers to let their capital decay, paying them seven per cent. on it, and with the people employed to stay idle while we paid them their full wages, provided that we might have our iron free, we should have made \$2,000,000 per annum, to say nothing of the fact that, at the lower price, we might have afforded a much larger consumption of iron. We should, moreover, have had 509 steam engines to apply to other work. We should have saved \$18,000,000 worth of coal, charcoal and coke for other uses, and we should have left 4,000,000 tons of iron ore in the ground for those who come after us to use when they can do it profitably. All this is on the protectionist hypothesis that this industry would not have existed but for the tariff, a hypothesis which I by no means admit. Now, if we had had a bounty on iron, instead of a tariff, these facts would be far more generally known than they are. Inspection laws have been gradually laid aside, because they interfere with trade. They are ostensibly in the public interest, and far less objectionable than the other means mentioned; but here the cry has been raised to be “let alone.” Patents we have extended more and more, until any plea which may be made for them is overwhelmed under their abuse. The other devices, Government banking and subsidies, we are still struggling with.

I have spent so much time and attention on this paper of Hamilton, because it has been historically of very great importance. It is the best statement of the protectionist argument ever made, and demands this much attention in any general discussion of the question. In the ten years following its preparation, during which Hamilton, either directly or indirectly, controlled the financial policy of the Government, it was found necessary to raise greater and greater revenue. Hamilton had, in presenting his plan, been very careful to define the limits within which he thought that the means he proposed might be safely and wisely em-

ployed. In his further financial steps he by no means extended and advanced the import duties with a view either to revenue or protection. He introduced internal and direct taxes for the avowed purpose of establishing a well balanced system of taxation. These taxes were all repealed on Jefferson's accession in 1802. Hamilton also prepared the system for assessing and collecting internal taxes which was revived in the second war with England, and again during the late war. Its reintroduction on each of these occasions took time, involved great delay and inconvenience, and caused expense which would have gone far to pay for keeping it up during the interval.



## LECTURE IV.

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### THE ESTABLISHMENT OF PROTECTION IN THIS COUNTRY.

In my last lecture I sketched the origin of the protective system in this country. I now proceed to describe its growth and establishment. This was brought about by incidents connected with the Napoleonic wars. The wars of the French revolution, and those which followed, produced great effects upon the trade of the civilized world. The United States, as the chief neutral carrier, saw its shipping multiplied and its mercantile interests enriched. The belligerents, in their struggles to injure each other, endeavored to put a stop to this neutral traffic, and inflicted great injury on the neutral who was carrying it on. Nevertheless, the profits were so great that the Americans continued it, in spite of losses. When war broke out again in 1803, the indignation here at the collisions which took place was so great, that measures of resistance and retaliation were sought. The federalists wanted to put the country in a state of defence and build a navy to protect commerce. They represented the North-eastern States and the shipping interests. The administration, however, with the great majority from the Middle and Southern States, demanded a navy, sought to reduce expenditures, and turned its attention to measures of coercion by commercial war. These measures had been tried with sad results during the revolution. Mr. Madison had urged discriminating duties in the first tariff as a means of forcing foreign nations to grant reciprocity, and he had urged coercive and retaliatory measures of that kind during Washington's administration when hostilities in Europe first broke out. It is astonishing what faith was entertained in such measures. You see it still strong in the South when the civil war broke out, when it was believed that withholding cotton would force European nations to intervene.

In 1805 an act was passed for prohibiting the importation of English manufactures in order to force England to give up impressment, and in order to support Pinkney and Munroe in their efforts to make a treaty. In 1806 England blockaded the northern coast of Europe from Brest to the Elbe. Napoleon retaliated by the Berlin Decree. In the next year England replied by the orders in council; Napoleon rejoined by the Milan Decree, and England returned once more by more stringent prohibitions. The tenor of these decrees on the one side and on the other was to prohibit neutrals from trading with the enemy, or to put such trade under

heavy restraints. Napoleon was trying to shut the continent against English manufactures, and England was trying to keep out of the continent provisions and colonial supplies. Between the two, neutral commerce suffered the greatest loss and vexation. The American shipowners complained and called on their government for protection. The measure adopted was the embargo of 1807, by which the shipowners were protected against foreign aggressors by being shut up at home. They had before incurred heavy risks, now their own government imposed certain ruin. It was necessary to pass one act after another, making the embargo more stringent and tyrannical in order to check evasions of it. It was repealed in a little over a year, but non-intercourse and non-importation acts were substituted for it until war grew out of it in 1812.

We are concerned with this commercial war here, not on account of its folly or imbecility, although it well represents the folly of all restriction, but on account of its connection with the strand of history which we are following. Embargo, non-intercourse, and war, lasting from 1807 to 1815, created an entirely artificial state of things here, or, perhaps I should say, the United States was drawn into the distortion and perversion of industry and commerce which the great wars were producing in Europe. Manufactories of various kinds sprang up here to supply the wants of the people when cut off from the usual sources of supply by foreign exchange. They produced articles of inferior quality or design, generally speaking, but people had to be satisfied with them. In many cases also the products were dearer than those normally obtainable abroad. They were sustained by the artificial difficulties in foreign exchange, and by the diminished profits of other industries which would have been more profitable here. In 1810, Gallatin, Secretary of the Treasury, made a report in which he stated that manufactures of wood and leather, amongst other things, were exported beyond the imports, that the following industries were "firmly established," iron and manufactures of iron, manufactures of cotton, wool and flax, paper, printing types, books, several manufactures of hemp, and a few others. In that year (1810) some effort was made to get more protection through duties, but nothing came of it. The same effort played some share in bringing about the war, which was a product of intrigue, and as needless as it was fruitless. One of the first war measures was to double all duties and prohibit the import of English products. During the war the prices of manufactured articles were very high. Manufacturers made great profits and factories were built in large numbers. In 1814 all the banks suspended specie payments, and then followed a reckless paper money period which has never been equalled since. Prices rose higher than ever, and here we have again an illustration of the observation previously made that our currency and tariff errors have been intertwined throughout our history.



Observe now the outcome of all this for the matter of our investigation. Embargo and war had created a false and artificial state of things in which much capital had been invested in manufactures, and "industry" had been "encouraged." Under the false light in which they were viewed, embargo and war, therefore, seemed to be beneficial forces. The return of peace, if it reopened trade and let things return to their normal condition, would be a calamity. It was necessary to secure a continuance of the circumstances which had brought these industries into existence, in order to secure them from destruction. Such continuance could not be brought about without perpetuating for the great body of consumers the scarcity, loss and distress of war, so far as war affected their power to procure and enjoy industrial products. This then is exactly what the tariff, which was adopted in 1816, did do. It saved a part of the capital involved in manufactures, although most of it was swept away in the financial crisis which ensued in 1819, on the collapse of the paper system, but it burdened the nation with the same trammels which embargo and war had laid upon it.

The act of May 3d, 1815, repealed all discriminating duties and tonnage taxes in favor of any nation which should take similar action with regard to American vessels and cargoes. Here we have a fact of interest to the general history which we are pursuing. This was what was known as the "American system," at this time. We saw how, in the treaty with France in 1778, the Americans set out to gain general reciprocity. That came to be called the "American system," viz., general reciprocity instead of the old commercial treaties. *Now* the plan of laying countervailing duties to enforce reciprocity came to be called the "American system," and was so called until 1824, when, by a still further perversion, that name was applied to the system of protective duties. Daniel Webster, at that time, well said of it: "This favorite American policy is what America has never tried; and this odious foreign policy is what, as we are told, foreign states have never pursued."

The act of February 5th, 1816, continued the double war duties until July 1, but the general tariff act was approved April 27th, 1816. The tariff was not at this time, or for sixteen years after, a political question, but it is noteworthy that tariffs were passed in every presidential year until 1832, except in 1820. All parties agreed, however reluctantly, in passing the increased duties, for fear of alienating the votes of the protected interests. In 1820 a tariff was proposed, but failed, because Mr. Monroe was to be re-elected without a contest. As yet, however, in 1816, the question was neither political nor sectional. New England generally opposed the tariff, but not universally. The South acceded to it for the sake of cotton. This article was then heavily taxed abroad, and some very cheap manufactures of it from China and India were largely imported.

It was believed that the development of cotton manufactures here was the best way to make cotton culture lucrative. Lowndes, of South Carolina, reported the bill, and Calhoun made a speech in favor of it. It was based on a report by Dallas, Secretary of the Treasury, in which he divided the articles subject to duty into three classes: (1) those of which the home supply was adequate to the demand; (2) those of which the supply was partial; (3) those of which the supply was small or nothing. He proposed graduated duties on these three classes, the highest duty falling on the first class. You observe at once the incongruity. On the plan of fostering infant industries, duties would evidently be highest on articles producible but not produced, or only slightly produced; but here we find the market closed when the supply is adequate, and only a revenue tax laid on those articles which were least produced, and a medium tax on those which were in the heat of the struggle. It is the best possible test of a theory to see whether it admits of two contradictory applications in practice, for between theory and practice there can be no inconsistency. If any appears, it is proof positive that either the theory or the practice needs revision and correction. To say that a thing is true in theory but bad in practice is a radical absurdity. Theory is the attempt of man to learn general principles for guidance in his practical tasks. Practice is the test of theory, and shows that the general principles have been either correctly or incorrectly apprehended. When, therefore, a theory admits of two opposite applications in practice, one of which fits it as well as the other, it proves conclusively that the theory embraces a contradiction, and we see why protection of infant industries never leads to their independence and to free trade. The advocates of protection use the first form of the theory to secure its adoption and the second to secure its perpetuation.

Calhoun's chief argument for protection was the need of the proposed manufactures in case of war. This argument had considerable force at the end of a war in which foreign supplies had been cut off, but, on the other hand, the exactions of the manufacturers during the war led many to resent any attempt now to favor them.

The argument for protection to provide against the contingency of war has great popular weight. The policy and history of the United States since 1816, however, afford a striking commentary on it. We have always kept our army down a little below the point of efficiency. We have grudged the education of a few officers. We have reduced our navy so low that we hardly do our share in the police of the ocean. We pay little heed to our fortifications. Yet we voluntarily expose ourselves to a loss far greater than the cost of any armament, out of obedience to this notion of providing for a possible war by industrial restraints. Our popular orators formerly made much capital by comparing our expendi-



tures for army, navy and fortifications, with those of the old countries; but they said nothing of this industrial loss incurred to the same end.

Furthermore, is it not a satire on this notion to remember that the only wars in which we have been engaged since 1816 have been that with Mexico and the civil war, in neither of which our cherished industrial independence was of any use to us?

I am not arguing for expenditures on armies and navies. Far from it. We are happy in not needing them. Any one who has to come three thousand miles to fight us will think well of it first. I only point out the grotesque contrast between our preparations for war of the one kind and of the other.

In fact, however, the independence which we seek must be sought in another direction. Independent men are those who have wealth, not those whose houses are stored for a siege. Independent nations are those which are wealthy, because they can command what they want when they want it. Those will be wealthiest which give industry its freest course in time of peace.

The case of the South during the late war is a most striking proof of the fallacy of the "independence" doctrine. The South had less of this artificial independence than any country in the world. It was blockaded and inclosed by an immensely superior force, and what happened? First, people found that when they had put their last stake on war, they could do without thousands of things which had seemed essential; second, they found substitutes and makeshifts to take the place of real essentials; third, they found that, so long as they had commodities to exchange which the rest of the world wanted, no power could prevent the exchange from going on. It does not become those who needed four years to subdue the South to argue that it was weak for lack of industrial independence. Indeed, the argument is incomplete in two or three important points. Suppose that the South had not been weakened by slavery; suppose that it had been an independent nation before and had enjoyed free trade, so that its people had possessed all the wealth they might have accumulated; suppose that its enemy had been obliged to seek it over the ocean, and by sea attack only; on such a hypothesis who can believe that the South would have suffered because it had not "enjoyed protection," and who can urge us, on the chances of ever finding ourselves in the position of the South, to go on creating an artificial independence? Our independence lies in union, good government, and free industry.

The tariff of 1816 was not carried against the instincts of the American people towards freedom without strong opposition. The great majority adhered to the old Jeffersonian doctrines and policy. They wanted to get rid of the army and navy, to reduce taxes and expenditures, to re-

duce the number of office-holders, and to "let things alone." The prevailing argument was the interest of the existing investments, which, of course, no one desired to destroy. It soon appeared, however, that the barrier of taxation was no equivalent for embargo and war.

The return of peace in Europe allowed industry and finance to return to the operations of natural laws and to escape from the constraints of twenty-five years of war. The shock was terrible, and it took ten years for its effects to subside. In 1816, the English exported immense quantities of manufactured goods to the Continent and to the United States. The results of these transactions were disastrous. Our paper money here also exercised its influence to encourage overtrading and overimportation. In 1817, the manufacturers were in distress. Cries were heard against the inundations of foreign goods, against the drain of specie and against the balance of trade. Evidently we cannot understand these things without taking into account the movements which were going on in the other industrial nations, but the popular opinion here was that the English had set out, by a sacrifice of some millions worth of goods, to destroy American manufactures. This belief had deep root and perhaps has only lately died out, since we have ceased to hear cries of "British gold" whenever any one spoke of free trade. The notion I have referred to received strong re-enforcement from a remark of Brougham's which you may find quoted in the first popular protectionist work you choose to take up, in which he recommended his countrymen to reconquer the American market. If he meant to propose to them to sacrifice their capital in giving several millions' worth of goods to the Americans in order to destroy factories which would spring up again the moment they tried to reimburse themselves, they would have been the first to laugh at him.

An eager effort, however, in favor of protection was now commenced, and it was kept up for fifteen years. It had an organ in Niles' Register, the editor of which was a fanatical protectionist. He filled his paper, week after week, with essays, items, statistics, and arguments in favor of "home industry." No such effort has ever been made on the other side, and I believe that one can understand the means by which the natural tendency of the American people to freedom, and their early bias that way, was perverted, only by observing the zeal and industry with which protectionism was inculcated.

The tariff of 1816 had provided for a gradual decline of the tax on cotton and woolen goods, and Congress had refused to include, as was desired, a prohibition of nankeens, but the time at which the reduction on woollens and cottons was to take place was deferred until 1826, by an Act of April, 20, 1818, and the duty on bar iron was raised from \$9 to \$15 per ton.

The tariff of 1816 had also adopted the principle of the minimum on



cotton cloth, and cotton yarn, none of the former being rated at less than 25 cents per square yard, whatever its cost at the place of exportation. This, of course, cut off the American people from any advantage by the great factory system of England, or from the introduction of machinery in England, so far as these improvements tended to cheapen cotton cloth. It ought to be added that the incorrect valuation of the pound sterling, the inaccuracy of the weights and measures used at this time, and the long credit given by the government for duties, to some extent neutralized the duties.

In 1820, Mr. Baldwin, of Pittsburgh, introduced three bills, one for increased duties, one for taxes on auction sales, and one for cash payment of duties, which all failed to pass. In 1822 and 1823, other bills were introduced for increasing duties, which failed to pass. It was not until the great presidential struggle of 1824 that another tariff crowned the seven years' struggle. Before taking that up I desire to present to you some of the chief doctrines which were believed and taught at this time, as we learn them from the congressional debates and Niles' Register.

It was argued that wages were *not* higher here than in England when properly measured. This was in answer to the free trade argument as then put, that it was useless to try to develop manufactures here because of this disadvantage. Of course, if it is true that wages are higher here, ~~that~~ would be the true inference.

It was also agreed, on behalf of protection, that protection and revenue were antagonistic to each other, and that the government ought to be supported by "direct" taxation, while duties on imports should be reserved entirely for purposes of protection. Niles published long articles in which he urged this view of the subject, and he brought forward many and strong considerations in favor of what he called direct taxation. He showed what the tariff really cost each consumer, he opposed a revenue from import duties as uncertain, and all this in favor of prohibitory duties for the purpose of protection.

Another feature of the controversy was that the shipping interest was blamed in no measured terms for opposing protection to manufactures. The growth of shipping was pointed out and traced back to the discriminating and tonnage duties of 1789, and the shipping interest was charged with selfishness in resisting the application of the same means to other industries. In this connection we meet with the best instance of the fallacy which inheres in the word "protection" itself. In making up the account against the shipping interest for the protection which had been accorded to it, the war undertaken for its defence, but against its will, was charged to it, and also the entire expense of the navy. The navy "protected" the merchant ships from unlawful attack and interference, that is, it gave them the security which it is the business of a

ernment to provide, and which is analogous to the office of courts and police on land, but this protection was made a basis of argument, that the government ought to interfere likewise to "protect" producers *against industrial competition*.

A similar charge of selfishness was brought against the cotton manufacturers of New England, who, after 1820, opposed any further protection. Their industry was firmly established and very remunerative, and they found that the effect of protection was simply to disturb their business by tempting great numbers into it, and by exposing it to great fluctuations. It was argued against them that the system ought to be extended to wool and iron, until they reached the same point. This is logical and correct, but, as has often been shown, it reduces the system to an absurdity. After taxing the community to foster one industry, it is proposed to tax that one, with others, to foster a second, then all the preceding to encourage a third. It follows that the first and second lose their advantage, and that the result is a series of weak fosterlings supported by weakened legitimate industries.

The same criticism applies to any system of "incidental protection." The claim is put in to widen the system and do "justice" by favoring all, which is impossible. The only real justice is to favor none.

The great argument of this period, however, was "hard times." There was a commercial crisis in 1819, which has not, perhaps, been equalled since. The complaints were kept up for five years, although the only ground for them, if any, was the comparison with the flush times of speculation and paper money, and they were just such times of distress as the whole commercial world was enduring. The complaints ceased when the tariff of 1824 was passed.

Those who argued most strenuously on this ground, found themselves putting propositions together which made a strange combination when compared. Thus: (1.) The United States is the richest country in the world in point of natural resources, and has only a sparse population. (2.) This favored country is in great distress. (3.) What it needs is more taxation to enable its people to get a living in it.

We not unfrequently find arguments used during this period which show that the speakers or writers believed that a girl in a Manchester factory, who, with a loom, could produce as much cloth as several men could make by hand in the same time, was therefore able to exchange her product for the product of the labor of that number of American farmers. Of course all the notions about the balance of trade, and draining specie, and making money scarce are met with continually.

The duties collected under the tariff of 1816, during the last three years of its operation, were equal to a rate of 30 per cent. on dutiable im-



ports. You see that there had been great progress since Hamilton's day.

I come now to the tariff of 1824. That act would not have been passed if it had not been for the political contest which was impending. Here we meet with the new factor of political intrigue, and also with those phenomena which arise from the extension and complexity of the system. This bill was dexterously combined to embrace strength enough to carry it. We also now find the South opposed to protection; as indeed she had been since 1820. The arguments employed were not new, but the issue was clearer and the debate was far better sustained from the free trade side. We have an argument by Mr. Webster, in which several of the issues which continually arise in this controversy are handled in a masterly manner. He argued them on a plane entirely above the wretched patch-work of which the discussion otherwise consisted. I have already quoted his crushing criticism of the notion of protection as an "American system," under the application of that title which now became current. He showed the advance of opinion on this matter abroad, and showed that we were taking on our young shoulders a load which the older nations would be glad to throw off, if they were not clogged by so many vested interests. He also showed that the distress complained of, so far as it had existed in the last few years, had been due to currency troubles here and abroad, and gave a correct explanation, which few seemed able to understand, of the phenomena of the exchanges here in 1820 and 1821. In regard to the comparative rates of wages, he said. The chairman of the committee "says it would cost the nation nothing, as a nation, to make our ore into iron. Now, I think it would cost us precisely that which we can worst afford; that is, great labor. \* \* \* We have been asked \* \* in a tone of some pathos, whether we will allow to the serfs of Russia and Sweden the benefit of making our iron for us. Let me inform the gentleman that those same serfs do not earn more than seven cents a day, and that they work in these mines, for that compensation, because they are serfs. And, let me ask the gentleman further, *whether we have any labor in this country that cannot be better employed than in a business which does not yield the laborer more than seven cents a day?* \* \* \* The true reason why it is not our policy to compel our citizens to manufacture our own iron is, that they are far better employed. It is an unproductive business, and they are not poor enough to be obliged to follow it. If we had more of poverty, more of misery and something of servitude; if we had an ignorant, idle, starving population, we might set up for iron makers against the world. \* \* \* The freight of iron has been afforded from Sweden to the United States as low as eight dollars per ton. This is not more than the price of fifty miles' land carriage. Stockholm, therefore, for the purpose of this argu-

ment, may be considered as within fifty miles of Philadelphia. Now, it is at once a strong and just view of this case, to consider that there are, within fifty miles of our market, vast multitudes of persons who are willing to labor in the production of this article for us at the rate of seven cents per day, while we have no labor which will not command, upon the average, at least five or six times that amount. The question is then, shall we buy this article of these manufacturers and suffer our own labor to earn its greater reward, or shall we employ our own labor in a similar manufacture, and make up to it, by a tax on consumers, the loss which it must necessarily sustain."

Unfortunately, Mr. Webster was bound by local interests to sustain the protection to shipping, and this was fatal to his opposition. Massachusetts wanted protection on ships, but not on hemp or iron or molasses. A small Massachusetts interest joined with Rhode Island and Connecticut in favor of an increased tax on woolens, but not on wool. The tariff of 1816, it was said, had not sufficiently protected woolens, and had made the tax, such as it was, diminish at intervals. The English bounty on exported woolens was a damage which, it was claimed, ought to be counteracted. Observe the antagonism here established: England, pursuing the old restrictive system by these bounties, made a present to foreign nations at the expense of her own taxpayers. The foreign nations regarded this gift as an injury, and set up barriers against its acceptance, at the expense of their taxpayers. Could anything more conclusively condemn the whole system?

Then look at the internal conflict of interest. Kentucky wanted a tax on hemp to encourage her production, although her dew-rotted hemp was so inferior to the Russian water-rotted hemp that it never competed. She also wanted a tax on molasses to make rum dear in the interest of whiskey. Louisiana wanted a tax on molasses for protection to her sugar planters. The Middle States and Ohio wanted protection on raw wool; and Pennsylvania, of course, wanted protection on iron. In the conflict of interests New England was defeated, having less political power, and hemp, whiskey, iron, and raw wool, uniting the Middle and Western States, carried the day. The minimum on cottons was raised to 30 cts. A minimum for woolens was established at 33 $\frac{1}{3}$  cts., and the duty was put at 30 per cent., to be advanced to 33 $\frac{1}{3}$  per cent. in a year. Raw wool, costing less than 10 cts. per lb., was to pay 15 per cent. Other wool was to pay 20 per cent. for a year, 25 per cent. the second year, and 30 per cent. afterwards. Bar iron was raised to \$18 per ton if forged, and stood at \$30 if rolled. This was to off-set the cheapness of the new process chiefly used in England.

This tariff passed the House by 107 to 102. New England gave 15 votes for it, and 23 against it. The Southern and Southwestern States



gave two votes for it. The duties collected under it were, on an average, equal to a rate of 37 per cent.

One expects now, in reading the contemporaneous records, to be rid of the subject for a time. The reader naturally says: "The tariff has been raised; the protection has been granted. The question is disposed of." Nothing of this kind, however, took place. The high-tariff interest was by no means satisfied with the result, especially as regarded woollens. The agitation recommenced the next year, with a reiteration of the old arguments, condemnation of "our present ruinous system," and demand for protection, as if there had been no concessions in that direction. This calls our attention to certain features inherent in the protective system, and shows us how erroneous in practice, as well as in theory, is the notion that we can proceed through protection to free trade. Protection nourishes dependence, not independence. It is a system in which all the parts hang together, and protection for some cannot be united with freedom for others. If one industry should be set out in free competition, while the rest were protected, it would be found that they are interdependent; that machinery, raw materials and labor supplies would be so dear that the exposed industry would have no fair chance in competition with foreigners. Hence one long protected industry, if it became independent by natural causes, could not be left free unless the whole system were abandoned. But then the cry goes up from those nurslings of recent beginning, that they are not yet ready. If you defer the introduction of freedom for ten years longer on their account, a new company of infants is meantime brought into being, and the plea for further delay comes from them. Thus you go on forever, and the theory is reduced to an absurdity.

During the period from 1824 to 1828 the political factor in the tariff controversy rose to chief importance. The administration of J. Q. Adams was exposed to the most vigorous and relentless opposition from the party which had formed around Andrew Jackson. After the Democratic convention of Harrisburg in 1824 it was certain that Pennsylvania was enthusiastic for Jackson. The rural population of that State cared more for Jackson than for tariff. This was a fact which the politicians had simply to accept as a fact. The composition of the Jackson party, therefore, coincided to a certain extent with the coalition which had passed the tariff of 1824. New England as the Adams section was, both politically and on the tariff, still more in a position to be neglected than it was in 1847. The South found its political combinations and its tariff interests inconsistent.

England still furnished a convenient and popular object of attack. She now showed her perfidy and desire to ruin American manufactures by reducing her own duties on raw wool to one penny per lb. This enabled

her manufacturers to manufacture so cheaply as to pay our import duties and yet compete with success. According to the theory which we are studying, this was a serious reason for "protecting" ourselves against the good this might have brought to us. The woolen manufacturers of Boston accordingly sent a petition to Congress in 1826 asking for more protection. Jan. 10th, 1827, a bill was introduced for raising the duties on wool and woolens. It was tabled in the Senate by the casting vote of Calhoun. It was in the New England interest, and, as Niles said, politics were in the way.

In July, 1827, a national convention met at Harrisburg, called by the Pennsylvania Society for the Promotion of Manufactures and Mechanic Arts to consider measures for promoting manufactures. It was the most energetic attempt ever made to organize and give symmetry to the protectionist movement. It adopted resolutions in favor of more protection for iron, steel, glass, wool, woolens and hemp. It proposed a duty of 20 cents a pound on wool costing 8 cents or more, to advance  $2\frac{1}{2}$  cents per annum until it should be 50 cents. It adopted four minima for woolens, 50 cents, \$2.50, \$4.00, \$6.00. The duty was to be 40 per cent. for a year, 45 per cent. the next year, and 50 per cent. afterwards.

The committee on manufactures at the next session of Congress recommended that evidence should be taken as to the state of manufactures. This was a new departure, for hitherto all tariff legislation had been made blindly and ignorantly. The Northern protectionists opposed the proposition; the South favored and carried it. The evidence all went to show deplorable distress in all manufacturing industry, although the country generally was enjoying great prosperity. The argument necessarily was tangled and contradictory. It was urged, and really was the greatest popular argument, that the country owed its prosperity to the tariff, but here were the manufacturers claiming to be in distress. The truth was that the country possessed such means of producing wealth that the tariff could not crush them. Then again the distress was needed as an argument for more protection, but what light did it throw back on the previous attempts in that direction?

Many of the peculiar doctrines I have mentioned as advocated at an earlier period were now heard no longer, but a new one was brought forward and repeated again and again, viz., that protection, by domestic competition, lowers prices. I have already, in my former lecture, discussed this doctrine.

The new tariff bill was introduced in February, 1828. It was based upon the recommendations of the Harrisburg convention. Its central feature was wool and woolens. Hemp, iron and molasses figured as before. It came forward, therefore, as a New England or Adams measure, and the Jackson coalition opposed it, but under the necessity of satisfy-



ing the Middle and Western States. The feeling in the South was already very bitter about the tariff legislation, and this new effort to push on the system, reckless of Southern protests, still further embittered the South. The West also took the position that they had as yet had nothing of this good, which it was assumed that the Government had to distribute, and they demanded that, if the system was to go on, they should have their share. Mr. Webster took the position for Massachusetts, that she had been forced into manufactures by the policy adopted in 1824, in spite of her protests, and she now protested that the investments into which she had been drawn should not be sacrificed.

You look in vain through the discussion of this bill for any broad principles. Much was said indeed about a national policy, but it all referred to this system which, at the first approach to actual discussion, resolved itself into political intrigue, a strife of sections, and a struggle between "interests." Much was said about broad principles, but all referred to the notion that by robbing all for the benefit of the few it was possible in some way, which never was explained, to gain great benefit to all. The South adopted the policy of trying to make the bill as bad as possible. They proposed and advocated absurd and extravagant exaggerations, in the hope, apparently, that they could thus make apparent to the protectionists the enormity of their propositions and the absurdity of their demands. This policy did not work. The belief in the great protectionist dogmas had now become strong. Political exigencies were great, and the Northern protectionists either rejected the exaggerated propositions, or accepted them in good faith. This tariff came to be known as the "tariff of abominations," but its worst abominations were forced into it by the perverse policy of the Southern men. What it concerns us to observe is, the evil effects of mixing up politics and president-making with fiscal legislation, and the exaggerations to which the protective system leads.

The result of this struggle was that the tax on molasses was raised to 10 cents per gallon. The tax on wool was put at 4 cents per pound and 40 per cent., to increase by 5 per cent. annually until it was 50 per cent. A \$1.00 minimum was inserted in the scheme proposed at Harrisburgh, and a tax of 40 cents a square yard was laid. This combination of taxes, resulting from political motives only, to favor the wool growers of the Middle and Ohio States and not to make woollens dear to consumers in the same districts and in the South, was exceedingly injurious to woollen manufacturers. You observe that it is not in human ingenuity to interpose in the delicate relations of trade by arbitrary enactments without doing damage. On account of these features of the tariff in regard to molasses and woollens it got only 16 votes from New England (in the House) to 23 against it.

The tax on bar iron, not rolled, was raised to \$22.40 per ton; if rolled,

\$37 per ton. Hemp was raised to \$45 per ton. These features, with the tax on wool, gained the force which carried the bill in the house, 105 to 94. On the final vote, there were in the affirmative 61 Adams and 44 Jackson votes; in the negative, 35 Adams and 59 Jackson votes. The South, after putting the "abominations" in the bill, voted against it, except three votes. To show the want of good faith, it is significant to notice that, on the motion for the previous question, 11 Adams and 99 Jackson men voted in the affirmative, and 80 Adams and 11 Jackson men in the negative.

All the New England men, and all the *bona fide* tariff men like Niles were dissatisfied with this bill, and began at once to agitate for its amendment. It has been customary for the tariff advocates to speak of it as a good bill, which only needed some slight "adjustments." We see, I think, if we look at it candidly, the very best proof that such adjustments are required forever, that is, that they are impossible. It is a specimen of the purest quackery in legislation. I think it shows also that the only petition any sober business man can ever address to the Legislature is to "let him alone" and, if possible, not legislate about his affairs at all. In this very debate of 1828, Mr. Stevenson, of Pennsylvania, arguing for the tariff, said: "If legislation were as intelligent as commerce is vigilant, much national evil might be avoided." I could only improve this by saying: "If it were perceived that legislation never can be as intelligent as commerce is vigilant, far more national evil would be avoided."

The agitation of the Northern protectionists, for the amendment of the tariff, sank into insignificance in comparison with the discontent which the tariff caused in the South. The South was, of course, crippled by slavery, but it is undeniable that the complaint the Southerners made was just and well founded. They sold in a free market and bought in a protected one. They claimed that they had inherited the grievances of the colonies at the revolution, and that they stood just where the colonists had stood at that time; asking why they should maintain a political connection in which the taxing power was abused for their oppression. When they were told that they must yield to the welfare of the whole, they replied that this was England's old argument that the colonies should bow to imperial considerations. Thus the tariff controversy, pushed to extremes by the power of the majority, and in disregard of the pleas of the minority for justice, assailed our political system in its most delicate and most vital part—the integrity of the confederation. The attempt of South Carolina to nullify the tariff act was not open disunion and secession. It was worse. It was an attempt to remain in the Union and yet reduce the confederation to imbecility and contempt. Thus forty years after the first tariff with its 8 per cent. import on duti-



able, we find that the system had steadily advanced, that the infant industries were as feeble and clamorous as ever, that the burden had been increased until it was now equal to 41 per cent., that it had been elaborated into a system in which the lobby had been trained and educated, that it had corrupted politics and furnished capital for political schemes, that it had, on the testimony of those interested, done them no good, and that it had brought the confederation face to face with its greatest danger, that of disruption.

## LECTURE V.

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### VACILLATION OF THE PROTECTION POLICY IN THIS COUNTRY.— CONCLUSION.

At the point which I have now reached, in my review of the history of protection in the United States, it is necessary to observe that the original prejudice of the Americans in favor of liberty of every kind had been crushed out as regards trade. The frequent changes of the tariff had educated the generation which had grown up since the second war to the dogmas and fallacies of protection. These had been preached assiduously by Niles and Carey, and being plausible and popular, and falling in with national prejudices, they had gained great currency. There had, indeed, been no argument for the other side. We are familiar with the fact that a special interest finds ardent advocates and energetic workers, while the public interest lacks defenders.

In 1829, Condé Raguet commenced the publication of the *Free Trade Advocate*, in which he published some of the best writing on financial and economic topics ever produced on this side the water. He wrote above his readers, for whose minds Niles' style and arguments were much better adapted, and his journal soon expired. He continued his work in another journal, called the *Banner of the Constitution*, for some time longer.

Another fact, which it is important to observe for a correct understanding of the movement in this country towards protectionism, is the great prosperity which was enjoyed here from the second war until 1837. The advantages of the new country were, of course, enormous, and every improvement in transportation and every new invention tended to bring them within reach. The losses inflicted by a bad tariff belonged in the great margin of what might have been. The people had not lost something which they once had. They had fallen short of something which they might have possessed for the labor they had expended. This is something which people are slow to understand. Rob them of a good which they have possessed, or diminish comforts to which they have been accustomed, and they feel it. They are slower to understand that a given amount of labor might have produced, under a given condition of society, a certain result, and that they have fallen short of it. Such, however, is the correct statement of the effect of any tariff system, and the American people have always been slow to understand it, because they have enjoyed so much, and have been growing in comfort so steadily, that they could almost afford to be indifferent to something still better.



In 1830, this prosperity was pointed to in vindication of the tariff system, and with great popular effect. The fact was that the circumstances were so favorable that legislation could only lessen, not cripple, the advantages, but it was said that the tariff had caused all the prosperity, and hence the argument was: Let us have more. In the session of 1830-31 some efforts were made to strengthen the tariff of 1828. For instance, it was proposed to repeal the provision that the tax on salt should be reduced from 10 to 5 cents, January 1, 1832, and to raise it to 15 cents.

In the fall of 1831, two national conventions, one of protectionists and one of free traders, were held. The free traders met at Philadelphia, September 30, and published a clear and sound address, setting forth the simple principles, which are all mere truisms, and must rely on common sense for their effect. The effect seems to have been very slight. The Tariff convention met at New York, Oct. 26. It published an address, and appointed committees to collect and publish "reports" on various industries. The address consisted of bad political economy and the usual special pleas to bar the common sense application of simple principles. As a specimen, I quote a single sentence: "Nations are adversary to each other. Their commercial intercourse is regulated by treaties always made with a view to relative advantages, and to provide for those hostilities which are of perpetual occurrence." The "reports" offered jumbled and immaterial statistics about amounts produced and amounts imported, and had their corner-stone in one on "the balance of trade" view of the currency. They all talk of the calamity of buying without selling, an operation which we are accustomed to call, in the rare cases when we experience it, receiving presents, and they go into hysterics about the damage endured from foreigners who send their surplus stocks here and sacrifice them at auction, which is only declaiming against cheapness.

In the session of 1831-2, a presidential election approaching, the whole subject came up again. The Committee on Ways and Means presented a majority and minority report, with bills. The Committee on Manufactures proposed a high tariff revision. The Secretary of the Treasury reported a more moderate bill. The Senate also had a bill. There were also numerous amendments. The result was a remodeled tariff adjusted to suit the protective policy, signed July 14, 1832.

This, then, was the answer to Southern protests. The Southern position was doubly unfortunate. In the first place, they insisted on the unconstitutionality of the tariff, and sought nullification as a remedy. This complicated their position with the most difficult and vital constitutional questions. In the second place, they did not fight intelligently for free trade, nor yet for a revenue tariff. They wanted a "horizontal tariff," and *ad valorem* duties. South Carolina called a convention in Novem-

ber, 1832, and persisted in movements towards nullifying the tariff. The President met them with a proclamation setting forth his duty and intentions. Congress met again in that year with the question of tariff in the first place of interest. A bill introduced by Mr. Verplanck was intended to conciliate. Many and serious amendments altering its character were introduced, and the whole winter was spent in struggles over them. Suddenly, near the end of the session, Mr. Clay proposed another bill to supersede them all. Mr. Calhoun had quarreled with the President, and had been thrown into opposition, and he and Mr. Clay arranged the compromise under circumstances which are differently stated by different authorities. The day before that on which the Act of July was to go into operation, March 2, 1833, this compromise tariff was signed by the President. It provided that the taxes fixed by the tariff of 1832, so far as the *ad valorem* rates exceeded twenty per cent., should be reduced by one-tenth of the excess over twenty per cent. on the first of January in each alternate year until 1841. In that year they were to be reduced one-half of the remaining excess, and in 1842, were to be reduced to twenty per cent. This would issue, of course, in a horizontal tariff at that rate. This bill also shortened the period of credits on imports, and raised the custom house valuation of the sovereign to \$4.80. The reduction operated only slowly. It started from the stringent high tariff of 1832, and the "horizontal" tariff had no principle of protection, or free trade, or revenue in it. The compromise was a pure political makeshift, in which the public and private interests had no consideration.

Now, one looks with great interest through the history of the subsequent years to see if manufactures died out. One expects lugubrious descriptions of disasters from the protectionist journals. Nothing of this kind, however, is to be found. Niles drops his long essays. The subject disappears from his columns. No disasters take place. The woes of the woollen men are forgotten. The simple fact is that when Congress had put the question aside, the manufacturers ceased to carry on their business in the lobby, but attended to it at home. They probably found this more profitable. At any rate they prospered, and the whole country prospered steadily until the currency errors came in once more to produce disaster.

The panic of 1837, and the bank crash of 1839, spread ruin throughout the country. This is not the place to speak of the causes or relations of this disaster. Suffice it to say, that great amounts of capital had been invested here by Europeans during the last decade, and that a vast indebtedness had been incurred on a bank inflation. The capital had been largely invested in internal improvements carried on by a kind of mania. These works were often unwisely undertaken and extravagantly conducted. They offered no promise of profit. Correctly regarded, however, this disaster was the result of rash and ignorant abuse of exuberant natural



advantages, but the abuse had been so excessive that the revulsion was terrible, and the country did not recover for five years.

I take no account here of the various attempts which were made during the period of the compromise to alter the duties, either directly or under the form of bills to secure the collection of the revenue. It is sufficient to say that there were several such attempts, and that the compromise did not run its course without signs of the old longing to legislate on this subject. The last years of the period, when the duties were lowest, fell in with the distress of 1837 to 1842. The old argument of "hard times," therefore came up with renewed force in favor of more protection. People did not see that when a country like this, enjoying the greatest natural advantages, suffers distress, it is proof positive that artificial and legislative arrangements must have interfered injuriously with the play of natural laws. I cannot too strenuously insist upon this, in view of present circumstances. The soil of the earth furnishes the necessaries and comforts of life when man applies labor and capital to get them out of it. If one man has much land at his disposal, he can get abundance with little labor. He pays all the persons engaged in manufactures, trade, transportation and personal services out of his abundance, for saving him from loss, or doing part of his work for him, or contributing to his comfort and advantage. This is a simple statement of the economic organization of modern society. It regulates itself perfectly. The natural laws, the law of value, the law of exchange, the principle of free contract, are sufficient to keep the whole system in harmonious operation. If the resources of the soil are inadequate to the demands, either because population is excessive or the soil poor, the way of escape is by emigration or an improvement in the arts; but if the soil is rich, and the population meager, and yet there is distress, the place to look for the causes is in the artificial arrangements of man. We must have misapprehended the laws of nature which govern economic circumstances, and put our legislative enactments out of joint with them. The way out of trouble lies in a closer study of the science of economy, and a more correct adjustment of our arrangements to the laws which it teaches. The general custom of man is, however, to try to correct one bad arrangement by another, to put another cog, or another lever, or another spring, into the machine, never remembering that he thus simply increases the friction, and lessens the force which he had before. It has long been generally known that we cannot invent a perpetual motion, because it is making something out of nothing, but in social and economic arrangements, analogous efforts are still continually made. So it was in 1842. Distress prevailing, it was supposed to be the business of government to remove distress. What else, it was asked, did government exist for? It was a paternal, fostering institution. To be sure, the persons who composed it as individuals, en-

joyed, with a few exceptions, but little respect. The functions which legitimately belonged to government were notoriously ill-performed. It did worse, and at far greater expense, whatever it tried to do, than any person or corporation in the country. If it possessed any occult force, or any superior intelligence, or any improved machinery for getting what men want in this world, it certainly kept it secret and produced no proofs of it. Yet the superstition of government, then and still strong amongst us, led people to look to government to do for them what they could only do for themselves by industry and economy.

The whigs entertained the general conception that government demeaned itself when it narrowed its own functions. They believed in the paternal theory. They scorned all the notions which had prevailed in the government for twelve years, and, having won a victory in 1840, they were eager to put their own theory in practice. They passed a bill for distributing the proceeds of the public lands amongst the States, thus stripping the government of a legitimate source of revenue; but it was provided that this distribution should not take place when duties were above twenty per cent. At the next session (1842) they passed a provisional tariff with a clause repealing the limitation on distribution, but it was vetoed by Mr. Tyler. They then passed a permanent tariff, which he also vetoed; both on account of the repeal of the limitation on distribution. They then passed the tariff of August 30th, 1842, raising duties and cutting off distribution. This act turned back to protection. It was based on the tariff of 1832, but the duties were lower. The reviving industries of the country, consequent on the destruction of the bad currency, and the restoration of sound values, were pointed at as proofs of the success of this policy.

The arguments employed at this period offer nothing new. The notion, so prevalent in 1832, that high tariffs lower prices, and which was then affirmed as a broad and general truth, was little heard in 1842. The grounds put forward at the latter date were the old and worn out fallacies about imports and exports, balance of trade, drain of specie, &c., &c. A specimen from the report of the Committee on Manufactures may suffice: "There are several causes for the present depression of property and general stagnation of business, one of which will be admitted to be the large amount of our importations over the amount of exports. This depresses our home industry and draws from the country annually large balances in specie, crippling our banks and depriving them of the power to grant necessary facilities." A great part of the public documents of the United States consist in a reiteration and expansion of this paragraph, every clause of which contains errors which are refuted in any standard elementary text book on political economy. The importations cannot exceed the exportations over any period of time. If they do for a



time, it is proof that they ought to, and it cannot produce any stagnation in business. If imported articles drive home manufactures out of the market, it only proves that the people are getting their supplies cheaper, and that that particular form of home industry is falling behind in the industrial race. We have only the alternative of letting the persons interested do as we all have to do, employ energy and skill to sustain themselves, or else rob ourselves to protect them in inferiority—that is to subsidize negligence, inefficiency and want of skill. The importations cannot “draw away specie” unless we part with it willingly; and if we do, we give up what is worth less for what is worth more. We cannot be robbed of specie except by an invading army, and if we give it up in trade, we give it up for a profit. No sound bank, which has not by its excessive issues injured commerce and industry, can be “crippled” by an export of specie, and such an export is the proper protection of the public against the injury which excessive bank issues are doing. As for lessening the power of the banks to “grant necessary facilities,” the committee are under that notion of banks which regards them as beneficent institutions whose function is to create capital for people who want it.

By the election of Polk in 1844 the South gained control of the government. In 1845 the cry was raised that the tariff was in danger. Meetings were held to protest against any change. The project of Mr. Walker, Secretary of the Treasury, was the old southern plan of horizontal rates and *ad valorem* duties. He divided nearly all imports into eight schedules with duties at 100, 40, 30, 25, 20, 15, 10 and 5 per cent. *ad valorem*. This bill passed the House 114 to 94, and the Senate 28 to 27, after a debate and a public excitement, different in kind but scarcely less in degree than that of 1832. The average rate of duty under it was 25½ per cent. on dutiable, until 1857. By the Act of March 3, 1857, the duties were lowered to an average rate of 20¼ per cent on dutiable.

The period from 1846 to 1860 was our period of comparative free trade. The Sub-Treasury Act of 1846 removed subjects of currency and banking from national legislation. Thus these two topics were for a time laid aside. For an industrial history of the United States, no period presents greater interest than this. It was a period of very great and very solid prosperity. The tariff was bad and vexatious in many ways, if we regard it from the standpoint either of free trade or revenue tariff, but its rates were low and its effects limited. It was called “a revenue tariff with incidental protection.” The manufactures which, it had been said, would perish, did not perish, and did not gain sudden and exorbitant profits. They made steady and genuine progress. The repeal of the English corn laws in 1846 opened a large market for American agricultural products, and took away the old argument which Niles and Carey had used with such force, that England wanted other countries to have free trade, but

would not take their products. The effect on both countries was most happy. It seemed as if the old system was gone forever, and that these two great nations, with free industry and free trade, were to pour increased wealth upon each other. The fierce dogmatism of protection and its deeply-rooted prejudices seemed to have undergone a fatal blow. Our shipping rapidly increased. Our cotton crop grew larger and larger. The discovery of gold in California added mightily to the expansion of prosperity. The states indeed repeated our old currency follies, and the panic of 1857 resulted, but it was only a stumble in a career of headlong prosperity. We recovered from it in a twelvemonth. Slavery agitation marked this period politically, and if people look back to it now they think most of that; but industrially and economically, and I will add also, in the administration of the government, the period from the Mexican to the civil war is our golden age, if we have any. There was simplicity, even to dullness, in national affairs. It was one of those happy periods when a nation has little history. As far as the balance of trade is concerned, it never was more regular and equal than in this period.

The Act of March 3, 1857, was called for, because the revenue had risen beyond the necessities of the government, and the debt had been reduced to an insignificant sum. The bill lowered duties about one quarter, and applied especially to raw materials of manufacture. In the debate, however, strong opposition to it was aroused, and no little old protectionism was called out. The West objected to the reduction on raw materials, especially wool, hemp and lead, which they produced, and threatened to resist the incidental protection to Eastern manufactures. This brought out the weakness and error of incidental protection in strong light. So long as there is *any* protection the argument is sure to arise under this form. Those who are not protected demand that revenue be raised from products similar to theirs in order to give them a share in the incidental benefit. In short we are forced either to protect all or to protect none, and we see distinctly that there is no safe position to take except that of total opposition to all protection. If we lay any duties which act protectively, we must offset them by excise taxes, that no benefit may accrue.

Congress was divided in 1857 between two policies for the reduction of revenue, and was embarrassed by a novel difficulty in legislation, that of getting rid of a surplus which threatened worse demoralization than any public debt. It was then fully perceived that by reducing taxes revenue was increased. The tariff of '46 had been estimated to yield about twenty millions. The receipts from it in 1856 were over sixty millions. It was therefore urged that, to reduce revenue, duties ought to be raised and used for protection.

The panic of 1857, of course, reduced imports and lessened revenue.



In 1858 there was a recovery, which was still greater in 1859. In 1860 political troubles produced another reduction. The expenses of the government in the meantime increased and a deficit arose. This formed the basis for the new effort to increase duties. The real motive, however, was political. The Republican party wanted to make sure of Pennsylvania. That state was aware of its value to the Union and to the party in question. As a member of the Confederation, no one would have esteemed it less than any other, but it was still in the position of a member of the family who wants to live on the contributions of the others. It added to the incongruity of the situation that this member claimed to be possessed of means of wealth surpassing all the others, but he could not get a living out of them. He would not be idle either, but insisted on sinking capital in unproductive enterprises and calling on his brethren to make up his losses.

The Republican party made the bargain. Mr. Morrill introduced his tariff in the House, March 12th, 1860, and it was passed. The Senate postponed it to the next session. In June, the Chicago Convention adopted a tariff plank. The bill came up at the next session and passed the Senate February 20th, 1861, by a vote of 25 to 14, seven Southern States having, up to that time, seceded. The bill passed the House promptly by a large vote, and was signed March 2d, 1861. It went into operation April 1st. It raised duties from the tariff of 1857 about one-third. The debate hinged upon revenue almost entirely and showed the result of fourteen years' education in comparative free trade.

This fact is well worth observing. Ten to fifteen years suffice to change the voting population and to educate a generation in one set of ideas or another. Thus the traditions of one policy secure a certain stability within that period and men lose memory of any other. It is always difficult for men to realize in imagination, or by description, a social condition other than that they have experienced. The power to do this is only acquired by study and travel. Hence it is to-day that most people acquiesce in the paper money and protectionist fallacies to which we have, as a generation, become accustomed.

The Morrill tariff does not call for any extended notice, because it only lasted four months. A new act became a law on August 5th, 1861, which raised duties from the date of its passage. It was a revenue act, but contained many protectionist jobs. The immediate result was that it produced effects on trade which legislators, inexperienced in this department and ignorant of the laws of taxation, did not foresee, and it stimulated numberless efforts to secure for other "interests" similar advantages. Another act of December 24th, 1861, increased the taxes on tea, coffee and sugar.

In 1862 the internal taxes were laid. They were extended from time

to time without method or intelligence, but they proved conclusively enough that that system of taxation is perfectly feasible in this country, and that, on a system adjusted to the best modern principles of taxation, it could be used here as well or better than anywhere else in the world. It was unpopular and produced grumbling, which is one of its chief recommendations, because people knew what they were paying, and they were guarded against the apathy which characterizes them in regard to import duties. The latter are far more mischievous, but are paid unconsciously. The time will come, in the advance of enlightenment, when men will demand to be allowed to conduct their business in entire freedom, so as to make as much as they can, and then pay taxes which they must pay out of the net proceeds, and when they would as soon let the grocer and butcher draw on their bank accounts without presenting a bill, as let the government put its hands in their pockets for taxes when they do not know it. It would be an amusing experiment if this government should for a year exact by internal taxes without duties the same sum which the tariff now costs us, and then pay in bounties to the protected interests the sum which they now get.

The Act of July 14, 1862, raised duties "temporarily." The joint resolution of April 29th, 1864, raised all duties fifty per cent. for sixty days, afterwards extended to ninety. The Act of June 30th, 1864, was a general revision for revenue and protection. It was represented as a necessary offset to the internal duties and as a temporary war tariff. The Act of March 3d, 1865, again extended and complicated the system by more minute subdivisions and classifications and by enhanced rates. It involved a number of tricks and devices intended to have an effect which could not be foreseen, and was a reckless exertion of the powers which had been rediscovered as latent in this kind of legislation. The Act of July 28th, 1866, revised and strengthened the last act, by various provisions intended to clinch its operation.

These are the acts which belong directly to the war period. The people were busy in war making; their attention was absorbed in that direction. Congress itself was so absorbed in this business that the questions involved in tariff did not obtain consideration. The necessity of getting revenue was paramount, and there was no scientific knowledge of the principles of taxation to govern the attempt. The only system employed was to tax everything, and if more revenue was wanted, to tax more heavily. The people submitted patriotically, because they thought it necessary. The abundance of paper money, with rising prices and great speculation, created enormous fortunes and produced a semblance of prosperity. People thought that millions of men could leave industry and go to destroying capital, and yet the nation get rich. Under such circumstances the natural consequence was that the social parasites found a grand



opportunity. We must distinguish here two kinds of protection; the doctrinaire protection of Clay, Niles, Carey and Greeley, which was *bona fide* belief in the doctrine as a theory of national wealth, and the interested protection of cliques and individuals, who employ the system only for selfish ends. The latter was the kind which arose here ten years ago and under which we are now living. We enjoyed the services, as national legislators, of Mr. Morrell and Mr. Stevens, Pennsylvania iron masters; Mr. McCarthy, for the New York Salt Works; Mr. Morrill, for the Vermont sheep raisers. Our Congress was beset by lobbyists, who found it easier to speculate by moving legislation than by cornering the market; and to look at our legislation it seemed that we were a confederation only for the sake of holding a grand scramble at Washington to see which section and which interest should worst plunder the rest.

The system was elaborated as a "temporary" system—as a war measure—like the paper money, and we have been living under it ever since. Too many people find their interest in sustaining it to let it fall without a struggle, on behalf of the great public which elects all the Congressmen, but finds few representatives. The internal taxes, which formed the excuse for a large part of the advance in duties have been gradually abolished, and the whole weight of destructive restraint is left to fall on the industries of the country. Evidently the whole policy was erroneous and false, even from the point of view adopted. In going into a great war, the nation wanted its powers free. It wanted cheapness and abundance then, if ever. It wanted the maximum of revenue according to the most approved methods of obtaining it. It was no time to re-undertake the task of encouraging industries, even if that ever was wise, and I believe that the historian, when he comes to criticise this period in our history, will say that the welfare of a great nation never was so recklessly sacrificed by ignorant empiricism in legislation, nor the patriotism of a great people ever so wantonly abused, as in the tariff legislation of our war. Our position then and since as to tariff and paper money always reminds me of one of the blessings of Jacob: "Issachar is a strong ass, bowed down between two burdens. And he saw that rest was good, and the land that it was pleasant, and bowed his shoulders to bear, and became a servant unto tribute."

I come now, however, to the most shameful chapter in the whole story. In 1867, the woolen manufacturers being dissatisfied with the protection they enjoyed, held a convention at Syracuse to exert the influence which was due to the importance of their industry on legislation. Upon their arrival, they met with an unexpected obstacle. Lo! there were also the representatives of the wool-growers. These latter had come to watch and to say that they must be counted in. Obviously, the path of wisdom lay in an alliance. An adjustment to satisfy the wool-growers

was made, and the tax on woolens was put enough higher to allow for this. The tariff there concocted was enacted into a law March 2d, 1867. It consisted of a minute classification, and a complicated graduated rate which has tormented the woolen industry ever since. In 1868 and 1869, we saw mutton a drug on the market at 8 and 9 cts., when beef was 20. The farmers who had been deluded into relying on tariffs to produce wealth, found that they had to send their sheep to slaughter.

The woolen interest profited no better. They had to import dirt from Australia when they wanted wool. If the price advanced, or any turn of exchange or item of cost carried the total cost over 12 cts., they found a higher rate of duty exacted, and the importation unprofitable. When they turned to the home supply they found that it was all on one grade, and that they were deprived of the advantage of mixing wools to make various fabrics. Mills were started by ignorant and inexperienced persons in improper places, and the supply of cloth, all on one grade, glutted the market. In 1869 a crisis in the industry occurred, with numerous failures. Mills were sold out for a fraction of their cost. New proprietors started, with a smaller capital account, and there has since been nothing but a struggling and unremunerative existence for this industry.

In 1870 the first reduction of duties took place, and it was on the debate of this bill that the old divergence as to the principle of protection reappeared. The sections and interests were so completely included in the system that there was little clear, complete and outspoken advocacy of free trade, such as the South used to offer. Almost every member had a reservation in favor of the interest of his own district. It only proves again that the system must be assailed as a whole. Pig iron was reduced from \$9 to \$7 per ton. The other reductions were chiefly on tea, coffee, sugar, spices, wines and fruits, things which ought to bear taxes if anything does. In 1872, 10 per cent. was taken from the duty on some of the most important articles in the tariff, but the amount was restored in the session of 1874-5, by what was called the "little tariff" bill. The tariff now contains 1,500 articles and specifications. In 1874 the average rate was equivalent to 38½ per cent. on dutiable imports.

In the mean time American shipping had ceased to be. Other nations bought shipping and sailed it at a profit, if they could not build it. We prohibited this. Nevertheless, under even this utmost exertion of the restrictive system, the revival of our shipping, longingly looked for and often promised, never came. Our flag is kept afloat by one or two subsidized lines, and by one on a course which other shipowners have abandoned as unprofitable. Perhaps the Pacific Mail Line enlists the pride of Americans. From time to time it is proposed to go on and subsidize ships, in order to force the long-desired revival. This is consistent



at least. Having taxed tonnage in foreign trade out of existence, and forbidden the transfer of foreign built ships to American registers in order to spite the shipowners who abandoned our flag during the war, we now propose to tax agriculture and commerce back again to provide a fund for subsidizing ships.

Our exports have likewise been killed by the inevitable operation of the tariff. We no longer offer a market and cannot attract miscellaneous orders. We cannot export to countries whose products we do not take. We cannot trade directly with South America, the East Indies, or Australia, even for the exports in which we could doubtless compete in those markets, because we refuse to take their products. We cannot make round voyages because no one could tell what would be done with the tariff at home during the interval which must elapse. Our manufacturers having secured the home market, find that the home market becomes a restraint, not an advantage, and they move out of the country in order to get rid of the trammels of the tariff while working for export. Our own sewing machines are provided for foreign nations cheaper than we can get them ourselves. The system has been pushed so far, and its complicated developments have become so interlocked with each other that the protective system is to-day a dead weight on all the production of the country of every kind. Its complete overthrow would be a grand emancipation for manufactures as well as for everything else.

How far we yet are from anything like this movement was shown a few weeks ago by the proposition gravely made, and, it appears, gravely entertained at Washington, to lay discriminating duties so as to bear on the civil war in the Island of Cuba. The taxing power is the greatest engine controlled by governments, and it has been used or abused to aid temperance, to restrain luxury, to put down slavery (the English discriminating duties on slave-grown sugar), to coerce belligerents in favor of neutrals, and, in this last case, is proposed to accomplish an interference in a foreign struggle with which we could not interfere justifiably in any way.

This completes the hasty review which I have been able, under the circumstances, to give of the history of our tariff legislation. Some things seem to follow from it so evidently that no one can contradict them.

In the first place this notion that there is some means to increase, by an adjustment of taxes, the wealth of a country has had a very full trial amongst us. It was inherited by us from older countries, in which the pressure of population on the means of subsistence was great, and the idea of the functions of government wide. It was hostile to all the beliefs and habits of thought of the American people. It was totally in-

congruous with the social and political system which they established. It was reluctantly admitted under the idea that a new country may need some stimulus and assistance at the outset. In this view it is forgotten that the stimulus must come from without to be of any use, and that, if it is sought within, it can only be obtained by depressing one part to develop another. Nothing is created by the system, nor ever can be. It is only another instance of the folly which we continually commit of trying to make something out of nothing, or to lift ourselves by our bootstraps. As I have shown, the curtailment and depression fell in the United States on agriculture. In England it fell on manufactures for the benefit of agriculture, and in any country, old or new, the doctrine holds absolutely, that whatever means of wealth it has, and whatever the kind may be, they work up to their maximum when they work freely.

The Americans adopted the notion, however, that they could, by a few years of self-denial, get certain industries started, which would then "go alone" and become independent sources of wealth. I not only affirm on the grounds of reason and science that such a theory is absurd and fallacious, but I now appeal to the century of history as a complete proof that there is something wrong and false about this theory. Where are the results? Instead of strong, independent industries, we have to-day only a hungry and clamorous crowd of "infants." We are told that our country is rich in everything good for man, and every new discovery of natural sources of wealth is made the ground, not of greater abundance and less labor, but of greater scarcity and greater labor. Find a mine of copper in the United States, and it is an argument for making it harder for the people of the United States to get copper than before. We used to get emery to supply all our wants by giving wheat and cotton for it; we did not know we had any. At length a bed of ore was found in Massachusetts, and the first step was to get legislation to make the American people give more wheat and tobacco for emery than before. The same applies to all our great resources, until it might be worth while to calculate how much more iron, coal, copper and lead the people of the United States would have to-day, if there was not a particle of either under their soil, than they now possess. There is immense force, apparently, in the fallacy that we want "industries," when in fact we want goods to supply our needs; in the idea that we want work, when in fact we want leisure. We are trying to sustain life on the face of the earth, and we find it hard work. All our discoveries and inventions have for their object to make it easier; that is, to get more goods for the same labor, and to sustain more, or more highly developed, men. For this we want leisure from drudgery, as the first and most imperative requisite. Therefore, everything which gets the goods and lessens the labor is an advance in civilization; and everything which makes more labor necessary to get the goods



tends to barbarism. Labor for material good is simply a gross necessity, which we are all the time trying to conquer in order to get leisure for pleasanter and higher occupation, and, above all else, it follows that those whose lives are all spent in drudgery over material needs are most clogged in their efforts for emancipation by everything which increases labor. Hence this aim with which the early American statesmen set out has proved a chimera. The further we follow it, the further it leads us. We get more industry and less good.

It follows, secondly, from this history that this continual law-making about industry has been prolific of industrial and political mischief. It has tainted our political life with log-rolling, presidential wire-pulling, lobbying and custom house politics. It has been intertwined with currency errors all the way along. It has created privileged classes in the free American community, who were saved from the risks and dangers of business to which the rest of us are liable. It has controlled the election of Congressmen, and put inferior men in office, whose inferiority has reacted upon the nation in worse and worse legislation. Just now we are undergoing a spasm of indignation at official corruption, and we want to reform the civil service, but there is only one way to accomplish that, and that is to cut up the whole system which has made the civil service what it is. It is of little use to cut off the tops of the weeds and leave the roots in the ground. When the shower passes over they will grow up stouter than ever.

I have presented the subject to you historically, because it is the method of treatment in which I have the most confidence. It is to history that we must look for the facts which teach us social and economic laws, and form the basis of any positive treatment of social questions. For a full exposition it would be necessary to follow the industrial history of the country, but the materials for such a history of this country are not in a shape to be available, if indeed they exist. We have enough, however, to show us that we are living here under immutable and inexorable laws of the social organization. We cannot cheat those laws, nor evade them. If we try to escape their operation in one point, they avenge themselves in another. We cannot manipulate the law of value, so as to make things exchange otherwise than in the ratio of supply and demand, without losing more one way than we gain another. We cannot legalize plunder under any guise whatever, without surely wasting wealth and impoverishing robbers and robbed together. We cannot arrange any system of gambling which will increase wealth, since wealth comes only from labor properly applied. We cannot employ the taxing power of the government to increase wealth, but only to diminish it. This is the world and human life as they are. The whole protectionist school, in its various grades, starts out with discontent with this world, and with *a priori*

assumption in regard to the kind of world they would like to make. They are not contented to see what the natural chances of the country are and then to go to work to develop them. They make up their minds first what, in their wisdom, the country ought to be, and then they set to work to force it, with nature or against nature, into that form. They are not contented to see that the country affords by nature anexampled opportunities for man in agriculture and commerce. That is all as nothing if it cannot be one other thing also. They are not satisfied that it shall evidently be able to obtain all good things which the whole world produces by exchange, if not by production. They form to themselves dogmas about exchange, and will have nothing but by direct production, even though on the whole they have less. So they set to work to devise means to make the sort of country which they picture to themselves. We all sometimes grumble at the ills of life, I suppose; but I, for one, turn back from the study of all these propositions with devout thankfulness that we live in a world which God has made, and that these gentlemen may mar, but they cannot greatly alter it; and, looking back on our experience of what they have done for us, I think we may all submit gladly to things as they are in preference to the notions of Niles and Carey as to what they ought to be. This is a world in which toil is the road to wealth. It is a world in which industry, economy, prudence, temperance, are sure roads to health, wealth, comfort and happiness, if men will only leave those virtues to operate freely under the laws which are set for human life. It is a world in which idleness, extravagance, dissipation and want of thrift are sternly and piteously punished; unless men, by their laws, rob virtue of its rewards to transfer them to vice. That is all which any "protection" ever can do, and it is the worst injustice which law can perpetrate. It is the injustice of the old despotisms and caste aristocracies, and of all systems of class legislation and privilege, an injustice which has made history one long record of revolutions and social wars and broils and tumults. We may perpetrate it over again in the name of democracy, but we may be sure we shall only produce the same results. What is lacking in it is liberty, and in spite of the boasts of men about liberty, we are very far yet from understanding what it is. It is nothing but the removal of all restraints which hinder any individual from exercising all his powers under the best intelligence, to go towards happiness by the path of virtue which is laid down for us, but we may as well understand that it brings with it the chance that he may, blindly and ignorantly, choose the path of vice, which leads to ruin. When we plead for liberty we plead only that those of us who want to choose the course of prosperity and solid security may be left free to do so, or at least, that we may not be burdened in the attempt. When we ask for the liberty to exchange our products as we will, we ask only that, in that one particular, our efforts to advance ourselves may be left free to exert their full effect.

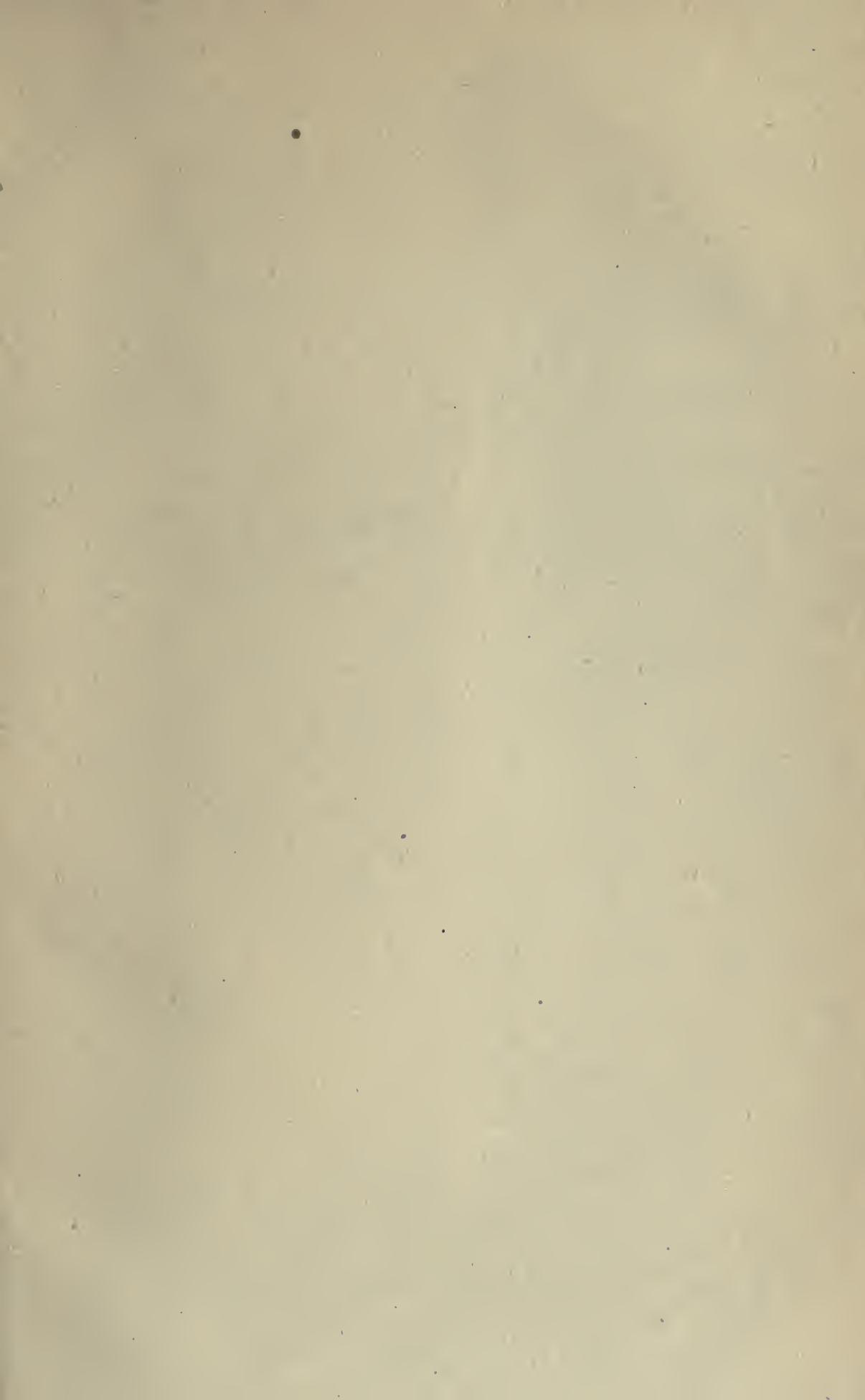


This brings us then face to face with the task which is at present incumbent upon us. We must have recourse to the means which are familiar to the habits of our people. We must organize societies and diffuse information. We must meet and discuss, and seek to gain and to propagate sound ideas. Our own welfare and that of our children depends upon it. If we are to have a fight, and we may expect that the whole cohort of selfish interests will make a strong stand for the control they have gained, we must meet it. The appeal lies to the great agricultural interest, which is the chief sufferer, and which numbers one-half of all the population of the country engaged in any occupation. The beginnings may be small and not very encouraging, but there is immense faith to be placed in sound and true doctrine when it is fairly and plainly taught, and it is impossible that a system of legislation so shameful and ignorant as our present tariff legislation can long disgrace a free country.















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